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FOREIGN AFFAIRS



Summer 1983

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The Danger of Thermonuclear War—*Andrei Sakharov*

FOCUS ON CENTRAL AMERICA

Nicaragua's Imperiled Revolution—*Arturo J. Cruz*

The Case for Power Sharing in El Salvador—*Piero Gleijeses*

Habitual Hatred—Unsound Policy

Charles McC. Mathias, Jr.

Israel and the West Bank—*Arthur Hertzberg*

Ground Rules for an Open World Economy—*Robert D. Muldoon*

LDC Debt: Beyond Crisis Management

William H. Bolin and Jorge Del Canto

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FOREIGN AFFAIRS (ISSN 00157120), Summer 1983, Vol. 61, No. 5. Published five times annually (September, December, February, April, June) at 58 East 68th Street, New York, N. Y. 10021. Subscriptions U.S. \$22.00—Outside U.S. \$28.00 per year. Second Class Postage paid at New York, N. Y. and at additional mailing offices. POSTMASTER: Send form 3579 to Neodata, P. O. Box 2615, Boulder, Colo. 80302.

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EDITOR'S NOTE

Our lead article is a strong and carefully considered statement by Andrei Sakharov on the most central problems of avoiding nuclear war and controlling nuclear weapons. Discerning readers will note that his Open Letter to Professor Drell was completed in early February, prior to such recent events as the report of the Scowcroft Commission and President Reagan's speech on long-term technological possibilities for defense against missiles. *Foreign Affairs* is honored to have been chosen for the initial publication of this important article.

As we go to press at the beginning of June, both Dr. Sakharov's future residence and the health of himself and his wife appear to be in serious question. We stand ready to assist readers who wish to interest themselves in his efforts to regain his freedom, by putting such readers in touch with those most directly concerned in this matter. Please write our Editorial Office at 58 East 68th Street, New York 10021, or phone that office at (212) 734-0400.

In the rest of the issue, special note might be made of the three articles on longer-term economic problems, notably that of Prime Minister Muldoon, and of the two articles on Central America, notably the moving personal statement by Arturo Cruz. Other articles speak for themselves. The Comment and Correspondence section may be of particular interest, containing a vigorous communication by Secretary Weinberger and important exchanges concerning the "yellow rain" article in our last issue.

Finally, we are gratified to note that *Foreign Affairs* has been awarded a National Magazine Award for 1983, in the category of Public Service, for the article by Messrs. McGeorge Bundy, George F. Kennan, Robert S. McNamara and Gerard Smith, "Nuclear Weapons and the Atlantic Alliance," in our Spring 1982 issue.

The articles in FOREIGN AFFAIRS do not represent any consensus of beliefs. We do not expect that readers of the review will sympathize with all the sentiments they find there, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries FOREIGN AFFAIRS can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. It does not accept responsibility for the views expressed in any article, signed or unsigned, which appears in its pages. What it does accept is the responsibility for giving them a chance to appear there. The Editors.

Foreign Affairs is published five times annually by the Council on Foreign Relations, Inc., Editorial Office, 58 East 68th Street, New York, N.Y. 10021. The Editors will consider manuscripts submitted, but assume no responsibility regarding them. Cable address Foraffairs, Inc, New York. Inquiries concerning subscriptions, permissions, and reprints should be sent to *Foreign Affairs* Reader Services, 58 East 68th Street, New York, N.Y. 10021, or telephone (212) 734-0400. For subscription problems, telephone (800) 525-0527. For information concerning *Foreign Affairs* advertising, telephone (212) 734-0400. *Foreign Affairs* is a member of the Leadership Network advertising group. Telephone Robert F. Sennott, Jr., at (212) 682-4500. Subscription price U.S. \$22.00—*Foreign Affairs* \$28.00 per year. Subscription air mail rates are available upon request. *Foreign Affairs* is a member of the Audit Bureau of Circulations and the Magazine Publishers Association.

Andrei Sakharov

THE DANGER OF THERMONUCLEAR WAR

AN OPEN LETTER TO DR. SIDNEY DRELL

Dear Friend:

I have read your two splendid lectures—the speech on nuclear weapons at Grace Cathedral, October 23, 1982, and the opening statement to Hearings on the Consequences of Nuclear War before the Subcommittee on Investigations and Oversight. What you say and write about the appalling dangers of nuclear war is very close to my heart and has disturbed me profoundly for many years now. I decided to address an open letter to you, feeling it necessary to take part in the discussion of this problem, one of the most important facing mankind.

In full agreement with your general theses, I will express certain considerations of a more specific nature which, I think, need to be taken into account when making decisions. These considerations in part contradict some of your statements and in part supplement and, possibly, amplify them. It seems to me that my opinion communicated here in open discussion can prove of interest in view of

Andrei Sakharov is the distinguished Soviet physicist, winner of the 1975 Nobel Peace Prize, currently in internal exile in Gorki. Among his works available in English are *Alarm and Hope* and *Collected Scientific Works*. This article was written for publication in response to the materials noted, which had been sent to him by Professor Drell of Stanford. The translation from the Russian was done by Richard Lourie and Efrem Yankelevich. Copyright © Andrei Sakharov.

Dr. Drell's speech at Grace Cathedral (in San Francisco) is unpublished but available from him on request. His opening statement before the Subcommittee on Investigations and Oversight of the House Committee on Science and Technology is contained in the Committee's record of those hearings, *The Consequences of Nuclear War on the Global Environment*, September 15, 1982, p. 6. A more comprehensive statement of Dr. Drell's views will be found in his Danz Lectures, to be published by the University of Washington Press in June 1983 under the title *Facing the Threat of Nuclear Weapons*.

The Editor is grateful to Professor Drell and to Strobe Talbott for their help in refining the translation of technical terms, and in preparing the explanatory Editor's Notes, for which of course the Editor takes responsibility.

my scientific, technological, and psychological experience, acquired in the period when I took part in work on thermonuclear weapons, and also because I am one of the few independent participants in this discussion in the U.S.S.R.

II

I fully agree with your assessment of the danger of nuclear war. In view of the critical importance of this thesis, I will dwell on it in some detail, perhaps repeating what is already well known.

Here, and later on, I use the terms "nuclear war" and "thermonuclear war" nearly interchangeably. Nuclear weapons mean atomic and thermonuclear weapons; conventional weapons mean any weapons with the exception of three types with the capability of mass destruction—nuclear, chemical, and bacteriological weapons.

A large nuclear war would be a calamity of indescribable proportions and absolutely unpredictable consequences, with the uncertainties tending toward the worse.

According to data from United Nations experts, by the end of 1980 the world's overall supply of nuclear weapons consisted of 50,000 nuclear charges.* The total power of these charges (most of which are in the 0.04- to 20-megaton range) amounts to 13,000 megatons according to the experts' estimates. The figures you have presented are not in conflict with those estimates. In this regard you mention that the total power of all the explosives used in the Second World War did not exceed six megatons (three megatons, according to the estimates with which I am familiar). However, when making this comparison one must take into account the greater relative efficacy of smaller charges with the same total power, but that does not alter the qualitative conclusions about the colossal destructive power of the nuclear weapons that have been amassed.

You also cite data according to which the U.S.S.R. at the present time (1982) has 8,000 thermonuclear charges deployed and the United States 9,000.** Many of these charges are warheads on ballistic missiles, and many of these are multiple independently-targetable reentry vehicles (MIRVs). It should be noted that the basis of the U.S.S.R.'s arsenal (70 percent, according to statements by

* *Editor's Note.* "Charge" is a standard Soviet term—used frequently in arms control negotiations—embracing warheads on ballistic missiles and also armaments aboard bombers, which may be in bomb or missile form. There is a separate Russian word for warheads.

** *Editor's Note.* These totals refer to the number of charges deployed on intercontinental ballistic missiles, submarine-launched ballistic missiles, and intercontinental-range bombers.

TASS) consists of gigantic land-based missiles (in silos) and somewhat smaller intermediate-range missiles, on mobile launchers. Eighty percent of the U.S. arsenal consists of submarine-based nuclear missiles, much smaller but less vulnerable than silo-based missiles, and also of strategic bombers carrying nuclear bombs, some of which are apparently very powerful. It is doubtful whether masses of aircraft could penetrate Soviet territory deeply—but a more precise assessment of their capabilities must take the possibilities of cruise missiles into account; these would probably be able to penetrate the enemy's air defense systems.

Currently, the most powerful American ICBMs (I am not speaking of the planned MX) possess several times less throw-weight than the principal land-based Soviet missiles.* The American ones carry fewer MIRVs, and the yield of their warheads is less. (It is assumed that when dividing the throw-weight of a missile among several warheads—let's say ten—the aggregate yield of the multiple warheads is less than the yield of a large single warhead on the same missile. But MIRVs greatly increase the ability of one side to attack compact targets on the other. MIRVs are also highly destructive against targets spread out over a wide area such as large cities. The aggregate yield may be less than that of a large single warhead, but the destructiveness will remain high because of the multiple blasts spread out over the area. I have dwelt on these details since they may prove of substance in further discussion.)

You cite the estimates of the international journal of the Royal Swedish Academy, according to which an attack on the principal cities of the Northern Hemisphere by 5,000 warheads with a total power of 2,000 megatons will kill 750 million people as a result of the shock wave alone.**

I would like to add the following to that estimate:

1. The overall number of long-range nuclear weapons possessed by the five nuclear powers is three or four times greater than the figure used in the Swedish estimate and their overall power is six to seven times greater. The accepted average number of casualties per missile—250,000 people—cannot be considered an overestimate if one compares the accepted average power of a thermonuclear charge of 400 kilotons with the power of the 17-kiloton

* *Editor's Note.* The term "throw-weight" is normally defined as the weight of effective payload that can be delivered to an intended distance; effective payload may include penetration aids and navigational equipment as well as the nuclear charge itself. The term "yield" refers to destructive power, and the term "compact targets," as used in this paragraph, clearly refers to military targets in general and to specially hardened ICBM sites in particular.

** *Editor's Note.* This estimate is contained in the publication of the Royal Swedish Academy, *Ambio*, Vol. XI, Nos. 2-3, 1982.

explosion at Hiroshima and the number of victims from its shock waves, no fewer than 40,000.

2. An extremely important factor in the destructive capability of nuclear weapons is thermal radiation. The fires at Hiroshima were the cause of a significant portion (up to 50 percent) of the fatalities. With the increase of the charges' power, the relative role of thermal radiation increases. Therefore, this factor significantly increases the number of direct casualties.

3. During an attack on especially dense, compact enemy targets (like silo-based missile launchers, command points, communication centers, government institutions, shelters, and other of the more important targets) it must be assumed that a significant portion of the explosions will be ground-level or low. In such cases there inevitably will be "traces," bands of dust fallout raised by the explosion from the surface and "impregnated" by the products of uranium fission. Therefore, although the direct radioactive effect of a nuclear charge takes place in a zone where everything alive is, in any case, annihilated by the shock wave and by fire, its indirect effect—through fallout—proves very substantial. The area contaminated by fallout so that the total dose of radiation exceeds the safety limit of 300 roentgens is, for a typical one-megaton nuclear charge, thousands of square kilometers!

During the ground-level test of the Soviet thermonuclear charge in August 1953, tens of thousands of people were evacuated beforehand from the zone where fallout was possible. People were only able to return to the settlement of Kara-aul in the spring of 1954! In war conditions an orderly evacuation is impossible. Hundreds of millions will flee in panic, often from one contaminated zone into another. Hundreds of millions of people will inevitably become the victims of radioactive irradiation, the mass migrations of people will make the chaos, the deterioration of sanitary conditions and the hunger all the greater. The genetic consequences of irradiation will threaten man as a biological species and all animal and plant life on the Earth.

I entirely agree with your basic idea that mankind has *never* encountered anything even remotely resembling a large nuclear war in scale and horror.

No matter how appalling the direct consequences of nuclear explosions, we cannot exclude that the indirect effects will be even more substantial. The indirect effects could be fatal for modern society, which is extraordinarily complex and thus highly vulnerable.

The general ecological consequences are just as dangerous, al-

though by virtue of the complex nature of ecological interdependencies, forecasts and estimates are extremely difficult here. I will mention some of the problems discussed in the literature (in your talks, in particular) without assessing their seriousness, although I am certain that many of the dangers indicated are entirely real:

1. Continuous forest fires could destroy the greater part of the planet's forests. The smoke involved would destroy the transparency of the atmosphere. A night lasting many weeks would ensue on Earth followed by a lack of oxygen in the atmosphere. As a result, this factor alone, if real, could destroy life on the planet. In less pronounced form, this factor could have important ecological, economic, and psychological consequences.

2. High-altitude wartime nuclear explosions in space (particularly the thermonuclear explosion of ABM missiles and the explosion of attacking missiles whose purpose is to disrupt enemy radar) could possibly destroy or seriously damage the ozone layer protecting Earth from the sun's ultraviolet radiation. Estimates of this danger are very imprecise—if the maximal estimates are true then this factor is sufficient to destroy life.

3. Disruption of transportation and communication could prove critical in the complex modern world.

4. No doubt there will be a (complete or partial) disruption in the production and distribution of food, in water supply and sewage, in fuel and electric service, and in medicine and clothing—all on a continent-wide scale. The public health-care system will be disrupted, sanitary conditions will revert to a medieval level and may become even worse than that. It will be impossible in practice to provide medical assistance to the hundreds of millions who have been wounded, burned, or exposed to radiation.

5. Hunger and epidemics in a context of chaos and devastation could take more lives than the nuclear explosions would take directly. It is also not out of the question that, along with the "ordinary" diseases which will inevitably spread far and wide—influenza, cholera, dysentery, typhus, anthrax, plague, and others—entirely new diseases could arise as the result of the radiation-caused mutation of viruses as well as especially dangerous forms of the old diseases against which people and animals would have no immunity.

6. It is especially difficult to foresee mankind's maintaining any social stability in conditions of universal chaos. Great gangs will kill and terrorize people and struggle among themselves in keeping with the laws of the criminal world: "You die today, I'll die tomorrow."

Of course, our experience of social upheaval and war demonstrates that mankind possesses unexpected reserves; people's vitality in extreme situations surpasses what could have been imagined a priori. But even if mankind were able to preserve itself as a social body, which seems highly unlikely, the most important social institutions—the foundation of civilization—would be destroyed.

In sum, it should be said that all-out nuclear war would mean the destruction of contemporary civilization, hurl man back centuries, cause the deaths of hundreds of millions or billions of people, and, with a certain degree of probability, would cause man to be destroyed as a biological species and could even cause the annihilation of life on earth.

Clearly it is meaningless to speak of victory in a large nuclear war which is collective suicide.

I think that basically my point of view coincides with yours as well as with the opinion of a great many people on earth.

III

I am also in complete agreement with your other conclusions. I agree that if the "nuclear threshold" is crossed, i.e., if any country uses a nuclear weapon even on a limited scale, the further course of events would be difficult to control and the most probable result would be swift escalation leading from a nuclear war initially limited in scale or by region to an all-out nuclear war, i.e., to general suicide.

It is relatively unimportant how the "nuclear threshold" is crossed—as a result of a preventive nuclear strike or in the course of a war fought with conventional weapons, when a country is threatened with defeat, or simply as a result of an accident (technical or organizational).

In view of the above, I am convinced that the following basic tenet of yours is true: *Nuclear weapons only make sense as a means of deterring nuclear aggression by a potential enemy*, i.e., a nuclear war cannot be planned with the aim of winning it. Nuclear weapons cannot be viewed as a means of restraining aggression carried out by means of conventional weapons.

Of course you realize that this last statement is in contradiction to the West's actual strategy in the last few decades. For a long time, beginning as far back as the end of the 1940s, the West has not been relying on its "conventional" armed forces as a means sufficient for repelling a potential aggressor and for restraining expansion. There are many reasons for this—the West's lack of

political, military, and economic unity; the striving to avoid a peacetime militarization of the economy, society, technology, and science; the low numerical levels of the Western nations' armies. All that at a time when the U.S.S.R. and the other countries of the socialist camp have armies with great numerical strength and are rearming them intensively, sparing no resources. It is possible that for a limited period of time the mutual nuclear terror had a certain restraining effect on the course of world events. But, at the present time, the balance of nuclear terror is a dangerous remnant of the past! In order to avoid aggression with conventional weapons one cannot threaten to use nuclear weapons if their use is inadmissible. One of the conclusions that follows here—and a conclusion you draw—is that it is necessary to restore strategic parity in the field of conventional weapons. This you expressed somewhat differently, and without stressing the point.

Meanwhile this is a very important and non-trivial statement which must be dwelt on in some detail.

The restoration of strategic parity is only possible by investing large resources and by an essential change in the psychological atmosphere in the West. There must be a readiness to make certain limited economic sacrifices and, most important, an understanding of the seriousness of the situation and of the necessity for some restructuring. In the final analysis, this is necessary to prevent nuclear war, and war in general. Will the West's politicians be able to carry out such a restructuring? Will the press, the public, and our fellow scientists help them (and not hinder them as is frequently now the case)? Can they succeed in convincing those who doubt the necessity of such restructuring? A great deal depends on it—the opportunity for the West to conduct a nuclear arms policy that will be conducive to the lessening of the danger of nuclear disaster.

In any case, I am very glad that you (and earlier, in another context, Professor Panofsky) have spoken out in favor of strategic parity in the area of conventional weapons.*

In conclusion, I should stress especially that a restructuring of strategy could of course only be carried out gradually and very carefully in order to prevent a loss of parity in some of the intermediate phases.

IV

As I have understood them, your further thoughts on nuclear weapons per se amount to the following:

* *Editor's Note.* The reference here is to Wolfgang K. H. Panofsky, Professor of Physics at Stanford and Director of the Stanford Linear Accelerator Center. Professor Panofsky notes that the statement accurately reflects his views.

It is necessary to conduct a balanced reduction of the nuclear arsenal, and a first stage in this process of nuclear disarmament might be a mutual freeze on the currently existing nuclear arsenals. I will quote you: "Decisions in the area of nuclear weapons should be based simply on the criterion of achieving a reliable deterrent and not on other additional demands relating to nuclear war since, generally speaking, such demands are not limited by anything and are not realistic." This is one of your central theses.

For talks on nuclear disarmament you propose that one quite simple—and, within the limits of the possible, fair—criterion for assessing nuclear strength be worked out. As that criterion you propose taking the sum total of the number of delivery vehicles and the total number of nuclear charges which can be delivered (probably one should assume the maximal number of certain standard or conventional charges which can be delivered by a given type of missile with a corresponding division of the usable weight).

I will begin by discussing that latter proposal of yours (made jointly with your student, Kent Wisner).^{*} This proposal seems practical to me. Your criterion takes into account delivery vehicles of various throw-weights by assigning them various weight factors. This is very important—the assigning of an equal weight factor to both the small American missiles and the large Soviet missiles was one of the points for which I, at one time, criticized the SALT I Treaty (while in general viewing the very fact of the talks and the concluding of the Treaty in a positive light). Here, in distinction to criteria using the power of the charge, as a rule not published officially, the number of deliverable charges is easy to determine. Your criterion also takes into account the fact that, for example, five missiles each carrying one warhead have a significant tactical advantage over one large missile carrying five warheads. Of course, the criterion you propose does not encompass all the parameters like distance, accuracy, or degree of vulnerability—they will have to be allowed for supplementarily or, in some cases, not taken into account so as to facilitate agreements.

I hope that your (or some analogous) criterion will be accepted as the basis for negotiations both on intercontinental missiles and (independently) on medium-range missiles. In both cases it will be much more difficult than it now is to insist on unfair conditions in the agreements and possible to move from word to deed more swiftly. Most likely, the very acceptance of your (or an analogous)

^{*} *Editor's Note.* The proposal was originally set forth in Sidney D. Drell and Kent F. Wisner, "A New Formula for Nuclear Arms Control," *International Security*, Winter 1980/81, pp. 186–194, and is refined in Dr. Drell's "L + RV: A Formula for Arms Control," *The Bulletin of the Atomic Scientists*, April 1982, pp. 28–34.

criterion will require a diplomatic and propaganda struggle—but it's worth it.

v

From this relatively specific question I will move to one more general, more complex and controversial. Is it actually possible when making decisions in the area of nuclear weapons to ignore all the considerations and requirements relevant to the possible scenarios for a nuclear war and simply limit oneself to the criterion of achieving a reliable deterrent—when that criterion is understood to mean an arsenal sufficient to deal a devastating blow in response? Your answer to this question—while perhaps formulating it somewhat differently—is positive and you draw far-reaching conclusions.

There is no doubt that at present the United States already possesses a large number of submarine-based missiles and charges carried by strategic bombers which are not vulnerable to the U.S.S.R. and, in addition, has silo-based missiles though they are smaller than the U.S.S.R.'s—all these in such amounts that, were those charges used against the U.S.S.R., nothing, roughly speaking, would be left of it. You maintain that this has *already* created a reliable deterrent—independently of what the U.S.S.R. and the United States have and what they lack! Therefore, you specifically consider the building of the MX missile unnecessary and similarly consider irrelevant the arguments which are advanced in support of developing it—the U.S.S.R.'s substantial arsenal of intercontinental missiles with large throw-weight which the United States does not have; and the fact that Soviet missiles and MX missiles have multiple warheads so that one missile can destroy several enemy silos during a missile duel. Therefore you consider it acceptable (with certain reservations) for the United States to freeze the nuclear arsenals of the United States and the U.S.S.R. at their current numerical levels.*

Your line of reasoning seems to me very strong and convincing. But I think that the concept presented fails to take into account all the complex realities of the opposition that involves two world systems and that there is the necessity (despite your stance) for a

* *Editor's Note.* Professor Drell notes that maintaining the U.S. and Soviet nuclear arsenals at their present numerical levels is not the same as the kind of "freeze" usually discussed today—in that it would not preclude changes in the types of weapons within the numerical level. As to a strict "freeze" as usually discussed, Professor Drell's position, stated in his Grace Cathedral speech, is that "the freeze movement has been very helpful in creating . . . a constituency for arms control. Though I recognize some deficiencies of the freeze as literal policy, I support it and will vote for it as a mandate for arms control . . ."

more specific and comprehensive unbiased consideration than a simple orientation toward a "reliable deterrent" (in the meaning of the word as formulated above, i.e., the possibility of dealing a devastating retaliatory strike). I will endeavor to explain this statement.

Precisely because an all-out nuclear war means collective suicide, we can imagine that a potential aggressor might count on a lack of resolve on the part of the country under attack to take the step leading to that suicide, i.e., it could count on its victim capitulating for the sake of saving what could be saved. Given that, if the aggressor has a military advantage in some of the variants of conventional warfare or—which is also possible *in principle*—in some of the variants of partial (limited) nuclear war, he would attempt to use the fear of further escalation to force the enemy to fight the war on his (the aggressor's) own terms. There would be little cause for joy if, ultimately, the aggressor's hopes proved false and the aggressor country perished along with the rest of mankind.

You consider it necessary to achieve a restoration of strategic parity in the field of conventional arms. Now take the next logical step—while nuclear weapons exist it is also necessary to have strategic parity in relation to those variants of limited or regional nuclear warfare which a potential enemy could impose, i.e., it is really *necessary* to examine in detail the various scenarios for both conventional and nuclear war and to analyze the various contingencies. It is of course not possible to analyze fully all these possibilities or to ensure security entirely. But I am attempting to warn of the opposite extreme—"closing one's eyes" and relying on one's potential enemy to be perfectly sensible. As always in life's complex problems, some sort of compromise is needed.

Of course I realize that in attempting not to lag behind a potential enemy in any way, we condemn ourselves to an arms race that is tragic in a world with so many critical problems admitting of no delay. But the main danger is slipping into an all-out nuclear war. *If* the probability of such an outcome could be reduced at the cost of another ten or fifteen years of the arms race, then perhaps that price must be paid while, at the same time, diplomatic, economic, ideological, political, cultural, and social efforts are made to prevent a war.

Of course it would be wiser to agree now to reduce nuclear and conventional weapons and to eliminate nuclear weapons entirely. But is that now possible in a world poisoned with fear and mistrust, a world where the West fears aggression from the U.S.S.R., the U.S.S.R. fears aggression from the West and from China, and

where China fears it from the U.S.S.R., and no verbal assurances and treaties can eliminate those dangers entirely?

I know that pacifist sentiments are very strong in the West. I deeply sympathize with people's yearning for peace, for a solution to world problems by peaceful means; I share those aspirations fully. But, at the same time, I am certain that it is absolutely necessary to be mindful of the specific political, military, and strategic realities of the present day and to do so objectively without making any sort of allowances for either side; this also means that one should not proceed from an a priori assumption of any special peace-loving nature in the socialist countries due to their supposed progressiveness or the horrors and losses they have experienced in war. Objective reality is much more complicated and far from anything so simple. People both in the socialist and the Western countries have a passionate inward aspiration for peace. This is an extremely important factor, but, I repeat, itself alone does not exclude the possibility of a tragic outcome.

VI

What is necessary now, I believe, is the enormous practical task of education so that specific, exact, and historically and politically meaningful objective information can be made available to all people, information that will enjoy their trust and not be veiled with dogma and propaganda. Here one must take into account that, in the countries of the West, pro-Soviet propaganda has been conducted for quite a long time and is very goal-oriented and clever, and that pro-Soviet elements have penetrated many key positions, particularly in the mass media.

The history of the pacifist campaigns against the deployment of missiles in Europe is telling in many respects. After all, many of those participating in those campaigns entirely ignore the initial cause of NATO's "dual decision"—the change in strategic parity in the 1970s in favor of the U.S.S.R.—and, when protesting NATO's plans, they have not advanced any demands on the U.S.S.R. Another example: President Carter's attempt to take a minimal step toward achieving balance in the area of conventional arms, i.e., to introduce draft registration, met with stiff resistance. Meanwhile, balance in the area of conventional arms is a necessary prerequisite for reducing nuclear arsenals. For public opinion in the West to assess global problems correctly, in particular the problems of strategic parity both in conventional and in nuclear weapons, a more objective approach, one which takes the real world strategic situation into account, is vitally needed.

A second group of problems in the field of nuclear weapons about which I should make a few supplementary remarks here concerns the talks on nuclear disarmament. For these talks to be successful the West should have something that it can give up! The case of the "Euromissiles" once again demonstrates how difficult it is to negotiate from a position of weakness. Only very recently has the U.S.S.R. apparently ceased to insist on its unsubstantiated thesis that a rough nuclear parity now exists and therefore everything should be left as it is.

Now, the next welcome step would be the reduction of the number of missiles—which must include a fair assessment of the *quality* of missiles and other means of delivery (i.e., the number of charges deliverable by each carrier, its range and accuracy, and its degree of vulnerability—the last being greater for aircraft and less for missiles;* most likely, it would be expedient to use your criterion, or analogous ones). And what is absolutely at issue here is not moving the missiles beyond the Urals but *destroying* them. After all, rebasing is too "reversible." Of course, one also must not consider powerful Soviet missiles, with mobile launchers and several warheads, as being equal to the now-existing Pershing I, the British and French missiles, or the bombs on short-range bombers—as the Soviet side sometimes attempts to do for purposes of propaganda.

No less important a problem is that of the powerful silo-based missiles. At present the U.S.S.R. has a great advantage in this area. Perhaps talks about the limitation and reduction of these most destructive missiles could become easier if the United States were to have MX missiles, albeit only potentially (indeed, that would be best of all).

A few words about the military capabilities of powerful missiles: they can be used to deliver the largest thermonuclear charges for destroying cities and other major enemy targets—while for exhausting the enemy's ABM systems there will most likely be a simultaneous use of a "rain" of smaller missiles, false targets and so on. (Much is written about the possibility of developing ABM systems using super-powerful lasers, accelerated particle beams, and so forth. But the creation of an effective defense against missiles along these lines seems highly doubtful to me.) We present the following estimates to give an idea of what a powerful missile attack on a city would be like. Assuming that the maximal power of an individual

* *Editor's Note:* The reference to greater relative vulnerability of aircraft vis-à-vis missiles apparently refers to vulnerability to defensive measures in the execution of a mission.

charge carried by a large rocket would be of a magnitude of 15–25 megatons, we find that the area of complete destruction of dwellings would be 250–400 square kilometers, the area affected by thermal radiation would be 300–500 square kilometers, the zone of radioactive traces (in case of a ground-level explosion) would be 500–1000 kilometers long and 50–100 kilometers wide!

Of equal importance is the fact that powerful MIRVed missiles could be used to destroy compact enemy targets, in particular, similar silo-based enemy missiles. Here is a rough estimate of an attack of that type on launch sites. One hundred MX missiles (the number proposed by the Reagan Administration for the first round of deployment) could carry one thousand 600-kiloton warheads.

Considering the ellipse of concentration* and the hardness assumed for the Soviet launch sites, each of the warheads has, according to the data published in the American press, a 60-percent probability of destroying one launch site. During an attack on 500 Soviet launch sites, with two warheads targeted for each site, 16 percent will remain undamaged, i.e., “only” 80 missiles.

A specific danger associated with silo-based missiles is that they can be destroyed relatively easily as a result of enemy attack, as I have just demonstrated. At the same time, they can be used to destroy enemy launch sites in an amount four to five times larger than the number of missiles used for the attack. A country with large numbers of silo-based missiles (at the present time this is primarily the U.S.S.R., but if the United States carries out a major MX program, then it too) could be “tempted” to use such missiles first before the enemy destroys them. In such circumstances the presence of silo-based missiles constitutes a destabilizing factor.

In view of the above, it seems very important to me to strive for the abolition of powerful silo-based missiles at the talks on nuclear disarmament. While the U.S.S.R. is the leader in this field there is very little chance of its easily relinquishing that lead. If it is necessary to spend a few billion dollars on MX missiles to alter this situation, then perhaps this is what the West must do. But, at the same time, if the Soviets, in deed and not just in word, take significant verifiable measures for reducing the number of land-based missiles (more precisely, for destroying them), then the West should not only abolish MX missiles (or not build them!) but carry out other signifi-

* *Editor's Note.* This phrase is a literal translation from the Russian. It apparently refers to the shape and size of the area in which a given missile is likely to land in accordance with its accuracy characteristics. The comparable American term is “circular error probable,” or “CEP,” defined as the area within which a given missile has a 50-percent chance of landing. Such an area is in fact usually elliptical in shape rather than circular.

cant disarmament programs as well.

On the whole I am convinced that nuclear disarmament talks are of enormous importance and of the highest priority. They must be conducted continuously—in the brighter periods of international relations but also in the periods when relations are strained—and conducted with persistence, foresight, firmness and, at the same time, with flexibility and initiative. In so doing, political figures should not think of exploiting those talks, and the nuclear problem in general, for their own immediate political gains but only for the long-term interests of their country and the world. And the planning of the talks should be included in one's general nuclear strategy as its most important part—on this point as well I am in agreement with you!

VIII

The third group of problems which should be discussed here is political and social in nature. A nuclear war could result from a conventional war, while a conventional war is, as is well known, a result of politics. We all know that the world is not at peace. There are a variety of reasons for this—national, economic, and social reasons, as well as the tyranny of dictators.

Many of the tragic events now occurring have their roots in the distant past. It would absolutely be wrong to see only Moscow's hand everywhere. Still, when examining the general trend of events since 1945 there has been a relentless expansion of the Soviet sphere of influence—objectively, this is nothing but Soviet expansion on a world scale. This process has spread as the U.S.S.R. has grown stronger economically (though that strength is one-sided), and in scientific, technological and military terms, and has today assumed proportions dangerously harmful to international equilibrium. The West has grounds to worry that the world's sea routes, Arab oil, and the uranium, diamonds, and other resources of South Africa are now threatened.

One of the basic problems of this age is the fate of the developing countries, the greater part of mankind. But, in fact, for the U.S.S.R., and to some degree for the West as well, this problem has become exploitable and expendable in the struggle for dominance and strategic interests. Millions of people are dying of hunger every year, hundreds of millions suffer from malnutrition and hopeless poverty. The West provides the developing countries with economic and technological aid, but this remains entirely insufficient due largely to the rising price of crude oil. Aid from the U.S.S.R. and the socialist countries is smaller in scale and, to a

greater degree than the West's aid, military in nature and bloc-oriented. And, very importantly, that aid is in no way coordinated with world efforts.

The hot spots of local conflicts are not dying but are rather threatening to grow into global wars. All this is greatly alarming.

The most acutely negative manifestation of Soviet policies was the invasion of Afghanistan which began in December 1979 with the murder of the head of state. Three years of appallingly cruel anti-guerrilla war have brought incalculable suffering to the Afghan people, as attested by the more than four million refugees in Pakistan and Iran.

It was precisely the general upsetting of world equilibrium caused by the invasion of Afghanistan and by other concurrent events which was the fundamental reason that the SALT II agreement was not ratified. I am with you in regretting this but I cannot disregard the reasons I have just described.

Yet another subject closely connected to the problem of peace is the openness of society and human rights. I use the term the "openness of society" to mean precisely what the great Niels Bohr meant by it when introducing it more than 30 years ago.

In 1948, the U.N.'s member states adopted the Universal Declaration of Human Rights and stressed its significance for maintaining peace. In 1975, the relationship of human rights and international security was proclaimed by the Helsinki Final Act, which was signed by 35 countries including the U.S.S.R. and the United States. Among those rights are: the right to freedom of conscience; the right to receive and impart information within a country and across frontiers; the right to a free choice of one's country of residence and domicile within a country; freedom of religion; and freedom from psychiatric persecution.

Finally, citizens have the right to control their national leaders' decision-making in matters on which the fate of the world depends. But we don't even know how, or by whom, the decision to invade Afghanistan was made! People in our country do not have even a fraction of the information about events in the world and in their own country which the citizens of the West have at their disposal. The opportunity to criticize the policy of one's national leaders in matters of war and peace as you do freely is, in our country, entirely absent. Not only critical statements but those merely factual in nature, made on even much less important questions, often entail arrest and a long sentence of confinement or psychiatric prison.

In keeping with the general nature of this letter, I refrain here from citing many specific examples, but must mention the fate of

Anatoly Shcharansky, who is wasting away in Chistopol Prison for the right to be visited by his mother and to write to her,* and Yuri Orlov who, now for a third time, has been put for six months in the punishment block of a Perm labor camp, after having been beaten unmercifully in the presence of a warden.

In December 1982 there was an amnesty to honor the U.S.S.R.'s sixtieth anniversary but, just as in 1977 and in the preceding amnesties, there was a point made of excluding prisoners of conscience. So distant is the U.S.S.R. from the principles it proclaims, a country which bears such great responsibility for the fate of the world!

IX

In conclusion I again stress how important it is that the world realize the absolute inadmissibility of nuclear war, the collective suicide of mankind. It is impossible to win a nuclear war. What is necessary is to strive, systematically though carefully, for complete nuclear disarmament based on strategic parity in conventional weapons. As long as there are nuclear weapons in the world, there must be a strategic parity of nuclear forces so that neither side will venture to embark on a limited or regional nuclear war. Genuine security is possible only when based on a stabilization of international relations, a repudiation of expansionist policies, the strengthening of international trust, openness and pluralization in the socialist societies, the observance of human rights throughout the world, the rapprochement—convergence—of the socialist and capitalist systems, and worldwide coordinated efforts to solve global problems.

February 2, 1983

Andrei Sakharov

* *Editor's Note.* At the time this Open Letter was written, Shcharansky was on a hunger strike, because he was denied all contact with his family. He has since been permitted an exchange of letters with his mother, and has ended his fast.

Charles McC. Mathias, Jr.

HABITUAL HATRED— UNSOUND POLICY

Lord Carrington used this year's Alastair Buchan Memorial Lecture to make a timely and well-reasoned appeal to the West to take a new approach to East-West relations. He reminded us that:

The West must be true to its own values. It is the Leninist tradition which is one of conflict and not cooperation.

Our own tradition must be for the peaceful resolution of potential conflict through energetic dialogue. The notion that we should face the Russians down in a silent war of nerves, broken only by bursts of megaphone diplomacy, is based on a misconception of our own values, of Soviet behavior, and of the anxious aspirations of our own peoples.

Americans should pay particular attention to Lord Carrington's sensible advice—for American interests are particularly poorly served, and even endangered, by practices which limit our dealings with the Soviets to the most difficult aspects of our common superpower roles. If you think no spoon is long enough to permit us to sup with the Devil, you should read no further. The premise of this essay is that we must share our planet with a dangerous and despised adversary for the foreseeable future.

That being so, we should seek, at a minimum, to develop some functioning rules for our co-tenancy. To arrive at such an arrangement and to keep it working, we need to explore and maintain the widest variety of contacts, the broadest and most diffuse forms of engagement. Instead of restricting our discussions to the gravest and least tractable problems of arms control, we should be pushing our way down paths of less resistance, looking continually for limited openings, marginal advances, small opportunities to create a measure of understanding and shared interest.

II

It will be weary work. It should not be undertaken with the hope of spinning a restraining net around the Soviet Union. That exer-

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cise, attempted a decade ago, failed because it took too little account of the competing forces which shape American foreign policy, and because it assumed that significant areas of Soviet policy at home and abroad could be affected by what we had to offer or withhold in areas of less significance. The policy patronized a nation which wants, almost more than anything else, to be treated by America as an equal. We assumed that Soviet leaders could be made to respond—as we ourselves would not—both to bribes and threats. The idea was unsound. The practice was unconvincing.

A better approach, less illusory in its promise and more manageable in its application, must begin by defining our goals in terms of our ability to attain them, not just in terms of their desirability. From the start we have to rule out policies premised on the imminent collapse of the Soviet empire. Survival in power seems to be the highest good the Kremlin leadership sets itself; much as we may want to see that wish frustrated, and soon, we invite only confrontation if we make the extinction of our adversary our overriding ambition. There may be subtle ways to play on the grave strains within the communist system, and we should not neglect opportunities to do so. But we should expect no more than partial progress on that front, and should not ask either our people or our allies to commit vast energies to an effort certain to be painfully slow and likely to be inconclusive.

At the other extreme we would be foolish to revive either the notion of superpower condominium—never officially admitted but nonetheless feared by others on occasion—or the dream of superpower convergence, a more popular but equally naïve reverie. We have far too many profound conflicts of interest with the U.S.S.R. to suppose that we can bury our disagreements in a joint stewardship of the globe. And beyond the unnatural acts such a pairing would require, we have only to consider the reactions of lesser but still sovereign powers to understand that the idea would not fly in Peoria, or Peking, or Paris.

The other myth has more appeal but no more substance. Yes, we and the Soviets are all human beings, parents, lovers, fellow travelers on “Spaceship Earth.” And we have technocrats, bureaucrats and, to a degree, Socrates in common. But the separation of geography, history, culture, political values and socioeconomic systems is vast. We have not yet bridged similar disparities with Mexico. We should not set ourselves the impossible dream of discovering and developing common traits and attitudes in a far more distant and disagreeable climate.

How then do we get through this inevitable marriage of incon-

venience? Since annulment can come only through mutual annihilation, we have to face the facts presented above and see if, based on a realistic appreciation of both the dangers we face and the limits under which we operate, we cannot keep to the path John Kennedy described 20 years ago, the search to “help make the world safe for diversity.” He said then what we should never forget: “We can seek a relaxation of tensions without relaxing our guard. . . . [W]e are willing and able to engage in peaceful competition with any people on earth.”

To sustain that competition, we need to be clear in our view of our rival and precise in the formulation of our priorities. Only policies which serve America’s long-term interests will command the long-term support of Americans. To be effective in a race that has no defined finish line, we must be as persistent as our rival and, hence, as united by the consent of our people as the Soviets are by compulsion. In the pages that follow I offer an assessment of the Soviet Union recognizable, I hope, to most Americans. And based on that assessment I recommend a renewed effort to engage the Soviet government and—to the extent we can reach it—Soviet society in a protracted but pacific competition based on mutual interests.

III

The official Reagan Administration view of the Soviet Union, precisely and repeatedly stated by the President, has one consistent characteristic: moral conviction. In the course of the 1980 campaign, Mr. Reagan told a *Wall Street Journal* reporter, “[T]he Soviet Union underlies all the unrest that is going on. If they weren’t engaged in this game of dominoes, there wouldn’t be any hot spots in the world.” Almost three years later, in a speech this March to the National Association of Evangelicals, the President urged prayer “for the salvation of all those who live in a totalitarian darkness” but added that until salvation came:

[L]et us be aware that while they preach the supremacy of the state, declare its omnipotence over individual man, and predict its eventual domination of all peoples of the earth—they are the focus of evil in the modern world. . . .

So in your discussions of the nuclear freeze proposals, I urge you to beware the temptation of pride—the temptation blithely to declare yourselves above it all and label both sides equally at fault, to ignore the facts of history and the aggressive impulses of an evil empire, to simply call the arms race a giant misunderstanding and thereby remove yourselves from the struggle between right and wrong, good and evil. . . .

I believe we shall rise to this challenge; I believe that Communism is another

sad, bizarre chapter in human history whose last pages even now are being written. I believe this because the source of our strength in the quest for human freedom is not material but spiritual, and, because it knows no limitation, it must terrify and ultimately triumph over those who would enslave their fellow man.

On April 1, 1983, President Reagan told the Los Angeles World Affairs Council:

We live in a world in which total war would mean catastrophe. We also live in a world torn by a great moral struggle—between democracy and its enemies, between the spirit of freedom and those who fear freedom. In the last 15 years and more the Soviet Union has engaged in a relentless military buildup, overtaking and surpassing the United States in major categories of military power, acquiring what can only be considered an offensive military capability. All the moral values which this country cherishes—freedom; democracy; the right of peoples and nations to determine their own destiny, to speak and write and live and worship as they choose—all these basic rights are fundamentally challenged by a powerful adversary which does not wish these values to survive. . . .

Today, not only the peace but also the chances for real arms control depend on restoring the military balance. We know that the ideology of the Soviet leaders does not permit them to leave any western weakness unprobed, any vacuum of power unfilled. It would seem that to them negotiation is only another form of struggle. . . .

Generosity in negotiation has never been a trademark of theirs; it runs counter to the basic militancy of Marxist-Leninist ideology. . . .

Such rhetoric is recurrent. At his first White House press conference the President declared that Lenin had established “that the only morality they [Soviets] recognize is what will further their cause—meaning they reserve unto themselves the right to commit any crime, to lie, to cheat, in order to attain that, and that is moral, not immoral. . . .” In the March 8 speech to the Evangelicals, Mr. Reagan specified that “their cause . . . is world revolution.” And in Westminster Hall, during a June 8, 1982, address, he spoke of “totalitarian forces in the world who seek subversion and conflict around the globe to further their barbarous assault on the human spirit.”

There is too much genuine fervor in these black-and-white depictions of our adversary to permit the suspicion that the President employs them simply to inflame passion and solidify domestic support. His language—even assertions such as the one on October 16, 1981, that the Soviets “have already got their people on a starvation diet of sawdust”—reflects a coherent analysis of Soviet purposes, strengths and weaknesses which is, however, too narrow to translate into any coherent policy beyond sustained confrontation. While President Reagan has managed on several occasions to

state American aims in words meant to dilute the threat of conflict,¹ he is both consistent and insistent in describing the Soviet challenge and ways to meet it in two dimensions: moral and military.

America needs to use a wider lens in order to see the Soviet Union whole. Along with Moscow's "aggressive impulses" we must consider its defensive reflexes, its security obsessions, its self-preserved instincts and the less-than-uniform record of its expansionist conduct. The Kremlin's "evil empire" is also a diverse one, subject to internal strains, economically stagnant, technologically backward and—in Poland and Afghanistan—beleaguered. The Soviet Union today is still recognizable as the land Nikolai Nekrasov apostrophized more than a century ago:

Wretched and abundant,
Oppressed and powerful,
Weak and mighty,
Mother Russia!

Just as we would not show or recognize America in a monochrome portrait, we should not insist on painting the U.S.S.R. in a single color. It is a nation of 270 million people, but it is also a society in which the death rate per thousand persons rose from 6.9 in 1964 to 10.3 in 1980, where male longevity is dropping, and where the incidence of typhoid is 29 times as high as in the United States. The Soviet Union possesses vast economic potential, but whereas it was the world's second largest economy in 1980, it has slipped now to third place, behind Japan, and ranks sixth in the world by a measure of gross national product per capita that puts the wealth of an average Soviet citizen at less than half that of a Frenchman, and only twice that of a Brazilian. It is a naval power without a warm-water port, a political colossus which must station occupying forces on the territory of its nearest allies, and a revolutionary force

¹ In May 1982, for instance, he said, "I am optimistic we can build a more constructive relationship with the Soviet Union. . . . I have always believed that problems can be solved when people talk to each other instead of about each other. . . ." In London, a month later, he told British parliamentarians, "At the same time, we invite the Soviet Union to consider with us how the competition of ideas and values—which it is committed to support—can be conducted on a peaceful and reciprocal basis." After the speech to the Evangelicals, he told Henry Brandon of the *Sunday Times* of London that "what I was pointing to out there . . . is not the inevitability of war, but a recognition and a willingness to face up to what these differences are in our views and between us to be realistic about it." Then on April 1, in Los Angeles, he said: "To the leaders of the Soviet Union, I say: Join us on the path to a more peaceful, secure world. Let us vie in the realm of ideas, on the field of peaceful competition. Let history record that we tested our theories through human experience, not that we destroyed ourselves in the name of vindicating our way of life. And let us practice restraint in our international conduct, so that the present climate of mistrust can some day give way to mutual confidence and a secure peace."

which abhors the tiniest pressure for uncontrolled change at home. It is, in short, a welter of contradictions.

Those stresses are significant without being—except in some now unforeseeable internal cataclysm—fatal. They work in ways we do not understand to shape the policy universe of the Kremlin leadership and they impose both real choices on those leaders and concrete limits on the choices themselves. What remains fixed in that universe is not the early Utopian goal of world revolution, nor the target Khrushchev set in 1960 of besting the West in economic achievement, but a narrower, less inspiring and still all-consuming priority: the retention of control by the leaders over the people, by the Soviet Union over Eastern Europe and by the Soviet Communist Party over Communist parties it has nurtured in other lands. While the aim can be stated in three parts, its achievement appears to depend more and more on a single instrument: military power, applied directly by the Red Army or indirectly through Cuban proxies, East European surrogates or, under attenuated supervision, terrorist groups.

Thus, what makes the Soviet Union a danger to John Kennedy's hope of a "world safe for diversity," or, in President Reagan's terms, to "all the moral values which this country cherishes," is the Kremlin's conservatism and the armed might which is simultaneously its one reliable support and its most effective expression. The issue for Western policymakers is not the inherent evil of such a system, nor a mythical "master plan" that must be countered. The threat comes not from Soviet dynamism but from the kind of reactionary outlook which gave momentum to Czar Alexander I in constructing and maintaining the Holy Alliance after Napoleon's defeat. We should not fear the giant we face so much as the deformities which cripple all but his sword-bearing arm.

This disproportionate influence of military men and military considerations is the thinly concealed reality of Soviet politics. In Poland even the fig leaf has vanished. In both nations, however, the uneasy occupants of the throne of bayonets face problems to which regimentation and martial discipline provide only stop-gap answers. To retain control—over ambitious rivals in the first place, over a sullenly acquiescent populace in the second—the Soviet leaders must also project a certain degree of dynamism, enough to suppress doubts within the elite, above all, about the inevitability of Soviet progress. Unable to achieve such advances in economic development at home, the Kremlin has been limited to demonstrating and thus reconfirming its power abroad. Soviets do not neces-

sarily pursue that path by preference. Rather, their course has become increasingly a product of restricted choice.

To some extent Western policy is responsible for narrowing Soviet options. The achievement of military parity with the United States more than a decade ago opened vistas of political equality as well, and Moscow's rulers looked to Washington to confer on them the status and legitimacy—in addition to economic stimulus—that would be convincing proof of their success and right to hold power. That bargain was struck first with General de Gaulle and Willy Brandt and, in 1972, with Richard Nixon. By the time it was reconfirmed at the August 1975 signing of the Helsinki Accords, however, the deal was already unraveling. It is worth looking back over the erosion of détente to see why the dike failed and the tide of East-West relations swept away from cooperation.

IV

The record of events is familiar. The "Great Grain Robbery" of 1972 made Americans question the supposed benefits of expanded U.S.-Soviet trade. Moscow's conduct in relation to the Yom Kippur War of 1973 aroused not just a high level of temporary tension but a deep suspicion of Soviet selectivity in the practice of international restraint. The expulsion of Aleksandr Solzhenitsyn in February 1974 displayed the unchanged face of intolerance in a society Westerners had hoped was mellowing. The Jackson-Vanik and Stevenson amendments adopted at the end of that year confirmed a Soviet view of America's subversive intent.

There followed the 1975 Soviet airlift of Cuban troops into Angola, North Vietnam's triumph in Saigon and expansion into Kampuchea, the Soviet shift to the side of Ethiopia against Somalia, Cuban aid to the radical faction of the Sandinista Revolution in Nicaragua, the invasion of Afghanistan, and the suppression of Solidarity by the imposition of martial law in Poland. Paralleling and sometimes responding to such developments, the United States showed itself unable to move rapidly from the Vladivostok understandings of 1974 to a SALT II treaty, intensified its courtship of China, cut grain shipments twice (in 1975 and 1980), stepped up the decibel level of its human rights concerns in 1977 to a pitch the Kremlin found intolerable, invited Moscow back into the Middle East peace process and then withdrew the invitation, mounted the boycott of the Olympics to damage Soviet prestige in 1980, curtailed cultural, commercial and consular relations and, under Pres-

ident Reagan, sought not only to conduct a battle of epithets against the Soviet Union but also to strong-arm West Europeans into economic warfare against the oppressors of Poland.

To list the incidents in this spiral is not to analyze the reasons why the bargain of the early 1970s failed nor even to argue that it was an impossible agreement to maintain. The chronicle shows only that détente collapsed, not that failure was inevitable. What it does suggest, however, is that the arrangement did not work because both parties brought to it unreasonable expectations. Soviets assumed that the United States was prepared to accept not just the legitimacy of Communist rule where it already was entrenched but the right to perpetuate that regime unmolested at home and to project its interests as a superpower abroad. Americans appeared to think, instead, that they were obtaining both the leverage to modify internal Soviet behavior, albeit gradually, and Soviet willingness to impose self-restraint in the conduct of foreign affairs. The Kremlin interpreted the deal as a ratification of past Soviet achievements and a *nihil obstat* to their extension. We preferred to read the implied contract as a promise of Soviet evolution toward moderation in all things.

One expectation was held in common. Both Americans and Soviets thought that the injection of Western industrial know-how and capital goods into the Soviet economy would stimulate greater efficiency and modernization of management and attitudes as well as production. Technology, it was believed, would generate not just economic change but sociopolitical reform. No horse could pull such a heavy cart, especially not from behind. The rigidities of Soviet economic planning and practice were too great and too resistant. The manpower, infrastructural and resource deficiencies of the U.S.S.R. could not be overcome or bypassed by improvements in communication or quality control. And the United States, which had helped Stalin's forced-pace industrialization in the 1930s, would not, for political reasons, make the long-term commitments on which Brezhnev's negotiators insisted.

The failure of these hopes, both the conflicting and the shared ones, has left the relationship in a shambles. To the extent that we continue to interact, we have been forced to pursue a single subject—arms control—that is simultaneously the most vital and the most difficult. In a poisoned political atmosphere we have narrowed what might be an extensive range of contacts to a set of limited negotiations more likely to stimulate paranoia and propaganda than progress. To the deformed Soviet giant we speak only of the shackles we would like to place on its one sound limb. And by

addressing a militaristic society only on the strongest ground it occupies, we limit the influence we can have, the alternatives we can pursue.

Without question, arms control is a crucial pursuit. With little question, it is also an area in which the United States and the Soviet Union can formulate their separate interests in a compatible fashion based on their mutual concern to avoid Armageddon. Nevertheless, it is far from being the only potentially productive item on the superpower agenda, and it is at least possible that by exploring other subjects, even marginal ones, we can reduce some of the tension at the center. We would not automatically smooth the way toward stability in our vast nuclear arsenals, but we could make the tough talk about destructive power somewhat easier by setting it within a framework of a broader and possibly more constructive engagement.

v

Such an effort to open and widen our contacts with Moscow has to proceed from a calculation of the American interests it could serve. It cannot be based on the assumptions we found faulty in the first exercise of trying to build better relations. And it must take account of an awkward political fact: the particular barriers we would have to lower are largely ones we raised ourselves, especially in 1980 after the Soviet invasion of Afghanistan. Thus, the first gestures would have to be unilateral American ones, an uncomfortable prospect. To make such actions palatable, we would require not just prearranged Soviet responses in kind but a solid conceptual rationale for reversing course.

The initial price is high. It cannot be discounted by investing in vague hopes of improved mutual understanding. While that is a benefit to seek, even eventually to realize, it is no better ground for a new beginning than was the old illusion that the Soviet appetite for cultural, scientific and commercial exchanges was so large that we could condition their continuation on good Soviet behavior either in emigration or in Africa. Instead, we should try to develop such joint activities for the value they hold for the United States, and be prepared to suspend or drop them when the cost is excessive or the return too low.

The basic test for an agreement to pass is that of America's interest. Are we better served by having a consulate in Kiev than by having no window on the Ukraine? Is our presence in the second largest Soviet republic worth the price: establishing a Soviet con-

sulate in New York, where hundreds of Soviets already work at the United Nations? I would answer in the affirmative to both questions and try to revive the arrangement that was aborted in 1980.

As for the 12 bilateral science and technology exchange accords which date from the Nixon era, there is greater controversy. In the late 1970s, especially, they came under two kinds of attack: the charge that Soviets were using these channels to sweep up American scientific secrets without imparting significant knowledge of their own; and the more demonstrable accusation that trips to American universities and laboratories were doled out only to loyal *apparatchiks*, making us partners in a system that reinforced Party control over Soviet science and diminished real freedom.

To the first complaint, the Americans who had been hosts to Soviet visitors or had been visitors themselves told a National Academy of Sciences review panel in 1977 that the United States "gains a lot scientifically" through the exchange (60 percent), that there should be more joint research (84 percent) and that Soviet visitors included "experts" who "suggested new research procedures, introduced new ideas" and "imparted new knowledge" (80 percent). Assessing the scientists' experiences, the panel concluded that "although American science is, on the whole, stronger than Soviet science, there is still a genuine scientific gain for the United States in having such exchanges. . . . And even in those fields where it is clear that the United States teaches more than it learns, it is important for Americans to know what the Soviets are doing."

On the political issue, Loren Graham of the Massachusetts Institute of Technology noted in 1979, "The exchange programs are presently helping us to learn about repressive conditions in Soviet scholarship and we are able to make more informed decisions about the proper response. . . . If joint programs no longer existed, what would irritated American scientists have to walk out on?"²

Of the agreements in operation when Professor Graham wrote, three—an overall protocol on science and technology exchanges, and programs for cooperation in space and in energy research—have lapsed without renewal. Two more, on atomic energy and transportation, are up for renewal this year, and in the remainder—exchanges of graduate students and professors, cooperation between the two academies of science, and activities dealing with the environment, with medicine and public health, with agriculture,

² The U.S. scientists' assessments, the Academy of Sciences study conclusions and Professor Graham's views all appear in his paper, "A Balance Sheet in Science and Technology," delivered in May 1979 to a conference sponsored by the International Research and Exchanges Board and published in its booklet, *A Balance Sheet for East-West Exchange*, IREX Occasional Papers, Vol. 1, 1980.

with housing and with world oceans—there are estimated to be only about one-fourth the number of participants there were before 1979. In addition, a long-standing cultural exchange agreement broke down before 1979, although the concert performance by pianist Emil Gilels in New York this spring suggests a Soviet interest in reviving the traffic without, it is hoped, attempting to extract an American pledge to return would-be defectors to Soviet authorities.

Each of the original scholarly exchanges should be examined on its merits. The space accord, which gave us the 1975 Apollo-Soyuz flight—occasionally referred to at the time as the “grain deal in the sky”—probably holds little attraction now, but a number of the others were of benefit once and could be again. American and Soviet scientists were cooperating in cancer research before there was a formal blessing for their work. As the work itself remains important, the blessing should be renewed.

More broadly, we should acknowledge that we need contacts with a widening range of Soviets simply for the insights we can gain through them into their system and the course it is taking. We need such social and political intelligence, far beyond what our diplomats can gather on their restricted rounds, because we need to understand the U.S.S.R. well enough to deal with it steadily. At issue is our self-interest. An unusual reading of our self-interest in giving the Soviets wide exposure to American thinking came from an American mathematician who warns that a decline in Soviet capability in mathematics would threaten U.S. security far more than any exchange program in mathematics. Such a decline, he argues, could leave the Soviet Union unable to appreciate the catastrophic potential of the weapons we and they are able to develop. Nor should we underestimate the subliminal effect exposure to our vast network of superhighways may have on Soviet visitors used to the potholes, pitfalls and perils of the two-lane road linking Moscow with Leningrad. And, as Lord Carrington mentioned in his lecture, “it is worth recalling the impact on [Khrushchev] of the sight of an American grain field.”

Mutual understanding, leading to the erosion of Soviet rigidity through the contagion of exposure to freedom, is a distant dream reachable, if at all, by very small steps. “[A]fter 30 years of almost constant interaction,” former Senator J.W. Fulbright remarked in 1979, “we have still not made up our minds about what the Russians are really like.” We cannot reduce that uncertainty by maintaining an aloof and disapproving distance. We may help ourselves, most of all, by expanding our opportunities to learn more of both the frustrations and pleasures of dealing with Soviets in limited, cooperative ventures.

We can also help ourselves in obvious, economic terms by selling more produce and products to the Soviet Union. Our national interest in such trade, however, cannot be measured simply in the jobs it sustains or the hard currency it moves from Soviet control to our own. Just as there was a strategic justification for restraining commerce throughout the cold war period, there must be a policy rationale for managing its expansion as a means of dissipating confrontation.

Again, old illusions must be discarded. Buckwheat and blue jeans may make communists plumper or prettier, but they will not subvert—indeed, they may reinforce—Party control over Soviet consumers. Nor is dependence on Western imports likely to reach such proportions that threats to stop the flow can be expected to make Moscow reverse its international course or significantly modify its domestic conduct.

While imports now account for roughly 15 percent of Soviet GNP, two-thirds of that volume comes from its socialist allies or from developing nations unlikely to forego sales on a point of political principle. Only for its purchases of food must Moscow rely heavily on a relatively few Western suppliers, but we know from our own 1980 grain embargo exercise that neither American farmers nor Canadian, Argentinian, Australian and European producers are prepared to withhold their supplies from the Soviet market in a period of world grain surplus. And as long as we sell foodstuffs to the invaders of Afghanistan, we lack the moral and political authority to command our allies not to ship bootlaces for military shoes or compressors for natural gas pipelines.

Nonetheless, the profit motive cannot be our only guide to setting U.S.-Soviet trade policy. Such commerce is not politically neutral either in real or symbolic terms, and if we are to incur some costs from trade expansion, we must be clear as well about the political advantages we expect it to bring.

The most immediate benefits would come in our relations with our allies. By moving closer to their outlook, we would diminish a major irritant, narrow an opening the Soviets have been adept at exploiting, and further the chances of implementing an effective common policy of credit and technology controls on Western exports. The discussions before and at the Williamsburg Summit give at most incomplete evidence of such progress. As long as international credit is generally tight, it is easier for all of us to hold East bloc borrowing on a short rein. But we clearly need closer consultation in this area on a permanent basis, so that the “foreign

policy criteria" we have unsuccessfully tried to impose on technology transfer can be incorporated in a different fashion into bargaining with the Soviets simultaneously on economic and political issues.

Within the Coordinating Committee (COCOM) of the Western allies there needs to be an American admission that some goods are more strategic than others. We are now asking COCOM to police such a broad range of high technology that we cannot expect it to act effectively. An alliance agreement to bar export licenses for militarily significant machinery and know-how is in our common interest, but to make it work, we must define military significance in a way that facilitates enforcement rather than invites contempt.

Only over the long term can we expect a stable, growing trade with the Soviets to produce political plusses in the bilateral relationship. Having anticipated too much a decade ago, we should now realize that there are limits to the political price we can extract either from a single deal or continuing commerce. We cannot, however, be certain of the leverage available unless we engage in trade and attempt, in the process, to exert whatever pressure the traffic will bear. Nor, without coordinating an active trade policy with our partners, can we hope to extract the best mix of political and economic terms. For our part, we must begin by questioning the wisdom, in terms of U.S. interests, of continuing to withhold Most Favored Nation status from the Soviet Union when we grant it to almost every country in the world, including several where both free expression and free emigration are denied.

Over a long period of years, trade can open some now-closed doors and minds in the Soviet Union. In the meantime, in commerce as much as in diplomacy, science, scholarship and culture, we should maintain as wide and continuous an effort at broadening our contacts as our own self-interest justifies. To contain Soviet power more positively, we should not isolate ourselves from Soviet society but should seek, instead, to engage it in the most varied ways on the widest of fronts.

VII

Those of us who periodically on his birthday have to read George Washington's Farewell Address to an empty Senate chamber perhaps have more occasion than most to reflect on his broad vision. His counsel in that address is sound policy for all times:

The nation which indulges toward another an habitual hatred or an habitual fondness is in some degree a slave. It is a slave to its animosity or to its affection,

either of which is sufficient to lead it astray from its duty and its interest. Antipathy in one nation against another disposes each more readily to offer insult and injury, to lay hold of slight causes of umbrage, and to be haughty and intractable when accidental or trifling occasions of dispute occur.

We should be the servants only of the priorities we set for ourselves. Our goal in dealing with the Soviets is to deter conflict, oppose threats to our freedom and our allies, and wait, as patiently as our adversary, for decay within the U.S.S.R. to slow and alter its character and conduct. On the margins, through an expansion of constructive engagements, we may find paths of less resistance along which we can hurry history a bit. The balance to pursue is the one spelled out by Bertrand Russell: "[R]esistance, if it is to be effective in preventing the spread of evil, should be combined with the greatest degree of understanding and the smallest degree of force that is compatible with the survival of the good things we wish to preserve."

In the past—indeed in the present—we have relied too exclusively on force. We would advance our prospects better by seeking, first of all, to understand our opponent and second, where possible, to conclude durable understandings with him.

Arturo J. Cruz

NICARAGUA'S IMPERILED REVOLUTION

Nicaragua's Revolution is, in my judgment, in danger of dying in its infancy.

I joined the Revolutionary Government with appreciation and pride. I served it with a loyalty founded on the conviction that the Revolution would be good, *first and foremost*, for Nicaragua. My experience has disillusioned me: dogmatism and adventurism seem to have wiped out the democratic and pluralistic ideals which, in 1979, united all Nicaraguan advocates of freedom. My lamentation and criticism is that these ideals have been shattered and the moral defenses of the Revolution have well-nigh vanished. It was because of my profound dissent from the conduct of that government and the direction of the revolutionary process, as well as the realization of my own inability to influence them, that I subsequently chose to return to private life.

Now, as a Nicaraguan citizen, I reiterate my belief that the Revolution should be the most important landmark in our nation's history. Moreover, I confess that I am unable to understand how the Revolutionary Government, which in July 1979 enjoyed the almost unanimous support of the Nicaraguan people and the respect and admiration of other peoples and governments throughout the world, has suffered, in less than four years, a tremendous erosion in international solidarity and has become isolated from its neighbors and important sectors of the nation. The insurgency it faces is the more painful insofar as it is launched both by the true enemies of the Revolution and by many of its own children, who wish to rescue it from the present course which they consider an error.

Moreover, it has to be admitted that the lamentable condition in which the Revolution finds itself is not solely due to the fact that Washington has reached the limit of its tolerance, or to the ideological opposition of the reactionary sectors of Nicaragua. There is also an element of self-destruction in the present conduct of the Revolution. Certain Sandinista revolutionary leaders' rejection of

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pragmatism is puzzling. The allegiance to an internationalist ideology, which they seem to profess—perhaps unwittingly—at the expense of the basic interests of the nation-state of Nicaragua, is unacceptable. The deaths from both sides in this nightmarish conflict must cease.

Elucidating these delicate and sensitive questions is a taxing endeavor. The polarized debate over Nicaragua, particularly in the context of the Central American crisis, quite frequently focuses on one of two arguments. Some say that it is a clear case of rebellion against injustice; others see it as a reflection of the East-West confrontation and thereby as affecting the security of the United States. Very few approach the analysis from the premise that there may be a combination of both factors. In order to accurately explain my views, I must rely on my personal experiences not only with the Sandinista Revolution and its leaders—several of whom I personally hold in high regard—but also with representatives of other groups or organizations within the original broad alliance, with most of whom I still have a good rapport.

I have never belonged in the sanctum sanctorum of the Sandinistas, let alone been privy to their innermost secrets. However, I have dealt rather closely with their leadership. In a way, I have been a participant and an observer from a unique vantage point. Based on that experience, I can say that had the Revolutionary Government sought to achieve domestic peace with greater determination, and pursued, perhaps with more sincerity, a truly nationalist foreign policy, the Revolution might not be as seriously threatened as it is today.

I do not wish to sound as if, from a position of comfort and safety abroad—far from the tragedy—I am pontificating about the responsibilities of the revolutionary leaders, who, in Nicaragua, must deal with insurgency, acute economic problems and international confrontations. I merely wish to single out those areas where I think the Revolution has gone wrong. I do so with the same candor I employed during the time I served the Revolutionary Government.

It may not be naïve that many Nicaraguans continue to hope that the United States will soon vigorously implement a policy of accommodation with the Revolution in my country. Likewise, not a few Nicaraguans pray to God Almighty that the Sandinistas—who are courageous in war and show real concern for the destitute—may see the wisdom of admitting the government's errors and, more important, that they may have the will to redress them in order to save the Revolution for the sake of Nicaragua.

II

One day in 1977, in a room in the Madison Hotel in Washington, D.C., I listened with immense delight as three compatriots told me that the Frente Sandinista de Liberación Nacional (FSLN) would soon be ready to meet Somoza's armed forces (the Guardia Nacional) in full combat, defeat them and establish a democratic Revolutionary Government in Nicaragua. I was then asked to join a group for political support to the embryonic Sandinista movement, which later became known as "Los Doce" (The Twelve). Due to the understandable personal limitations imposed by my career as an officer in an international institution, sometimes my contribution, of necessity, was somewhat marginal.

Not even in my wildest dreams had I thought such a long shot would succeed. I had many reasons to admire the Sandinistas: they had displayed tenacity, valor and a selfless willingness to sacrifice their own lives in order to free the Nicaraguan people from the asphyxia of a dictatorship too long in power. I realized that among these young men and women there was an abundance of heroes that my generation had lacked. Of course, there had been martyrs before, but heroes in the struggle against Somoza had been rare. There were two distinguished exceptions. One was the anti-Somoza leader, Fernando Chamorro-Rappacioli, who in 1960 led a daring attack against the garrisons of the towns of Jinotepe and Diriamba, holding them a whole night against overwhelming odds. The other was Pedro Joaquín Chamorro-Cardenal, the editor of *La Prensa*, who courageously preached freedom and social justice.

The turning point in the Revolution was Pedro Joaquín Chamorro-Cardenal's assassination in early 1978. Nicaraguans from all walks of life were incensed, and world opinion demanded an end to the Somoza dynasty. Thereafter, Somoza's days in power were numbered. Nicaragua was ripe for upheaval. A revolutionary ferment pervaded the country—notably among the young, including children of affluent families—and a new social order was warranted.

It was no secret that the hard core of the Sandinistas was Marxist. However, the non-Marxists in this alliance of political parties, labor unions, businessmen, students and professionals were comforted by the pluralistic spirit which then prevailed. Nearly everyone felt confident that the Marxist vanguard was going to promote a social democracy. Theirs was not blind faith. As a matter of fact, there was a clear demand for assurance that the following elements should be present in the anticipated revolutionary system:

— The creation of non-political armed forces.

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- Democratic elections to be held at a reasonable time after victory.
- The promotion of pluralism and the preservation of legitimate private property.
- Self-determination under the objective conditions influencing a nation-state placed by Divine Providence in the Western Hemisphere.

Furthermore, three events, shortly before victory, buttressed this confidence:

- The appointment of two highly-respected individuals to the five-member Junta: Violeta Barrios de Chamorro, widow of the martyred journalist, and Alfonso Robelo, a businessman and political leader.
- The approval by the Junta of a government plan which was supposed to become the basis for achieving political pluralism, a mixed economy and external nonalignment.
- The Organization of American States' (OAS) decision to expel Somoza so that a provisional government might undertake the task of establishing democracy and pluralism. The Junta committed itself to those goals.

III

On July 19, 1979, a delirious people greeted the Junta in Managua: "Había llegado un nuevo amanecer"—the days of happiness had arrived.

I was offered, and accepted, the presidency of the Central Bank. Although I was already 55 years old, my opposition to the Somoza dynasty had precluded my working in the public sector. The Central Bank had managed to preserve itself as an island of professionalism and honesty. It resisted, almost to the bitter end and under trying circumstances, the political pressures which were rampant in the previous regime. My predecessors, Francisco Laínez, Gustavo Guerrero and Roberto Incer, had the foresight to train abroad—including studies in "Ivy League" universities—a large number of professionals who constituted the best cadres in the civil service of Nicaragua. I was reassured by the fact that many of them stayed with us. Unfortunately, the primitive "anti-bourgeois" rhetoric which was soon to appear and the stress of forced participation in neighborhood committees "for the defense of the Revolution" was too much for some of my new colleagues. As a result, they became part of the first waves of brain-drain. What a mortal blow to any prospect for reactivating the national economy!

The new government found a chaotic economic situation. However, foreign aid came to the rescue of the fledgling Revolution, in substantial amounts and with great speed. To offset the lack of hard currency during the first week (we found only \$3.5 million in the treasury), the United States provided an \$8.5-million grant, and the president of the Inter-American Development Bank, Antonio Ortiz Mena, obtained for us a \$20-million bridging loan from the Venezuelans. Other balance-of-payment support followed shortly thereafter, including an International Monetary Fund compensatory loan. Multilateral and bilateral aid was flexible, e.g., conditions to be set prior to disbursement of funds were eased.

The United States favored the approval of loans to our country in international development institutions. In addition, existing Agency for International Development loan agreements were adapted to the new requirements. U.S. Ambassador Lawrence Pezzullo and his aides, Thomas O'Donnell and Lawrence Harrison, worked in earnest to provide the government with emergency supplies of food and medicine. A \$75-million loan was likewise approved; unfortunately, due to restrictions attached by the U.S. Congress, it was never totally disbursed, thus furnishing the radicals with fuel for anti-Yankee speeches and for taunting the non-Marxists.

With all the financial and technical cooperation being received from the Western world and, on a more limited scale, the Socialist bloc, a rapid return to normalcy should have been achieved. But weeks went by and we could not see the same spirit that was shown by the people of Managua in December of 1972, when, just two days after an earthquake had obliterated the city, one could see signs amid the rubble announcing that shops were again operating.

We did everything possible to encourage businessmen and farmers by making credit available on soft terms. Notwithstanding, production did not fully recover and the private sector made no new investments. It was becoming clear that it would be hard to implement socialism in Nicaragua.

The government nationalized the banking system and exports of the main commodities. (Shortly afterward, a new government in El Salvador did almost exactly the same.) These measures were predicated on the fact that it was necessary to reassure depositors, preserve Nicaragua's international credit, guarantee a more effective collection of foreign-exchange revenues and taxes, and provide higher prices to producers.

The most serious problem was—and continues to be—the absence of investment by the private sector. This has been the main

stumbling block since the inception of the Revolution. Thus far, it is estimated that only about half of the investment required for a sustained growth of the gross domestic product is being obtained—and almost entirely from the public sector.

It soon became obvious that the paralysis of the economy was basically due to the private sector's fears about an uncertain future. So far, the radicals in the Revolution have closed their eyes to one reality, i.e., that no economic model will be viable if there is not a political system acceptable to the mainstream of the nation. They stubbornly insist on imposing a system that is viscerally rejected by most Nicaraguans. They delude themselves by watching their own propaganda films of students picking cotton. Meanwhile, as a result of arbitrary expropriation and other abuses, the best cotton planters (who are as sophisticated as their U.S. counterparts) have fled the country. It is for this reason that, after four seasons, production has failed to reach the level of a normal 500,000-bale crop.

On the other hand, in the early stages of the Revolution the Sandinistas launched some programs worthy of praise and targeted at improving the living conditions of the Nicaraguan people. Among these were a literacy campaign and a public health service reform designed to benefit the entire country. However, the new leaders seem to overlook the simple fact that social programs must be financed out of public revenue. Frankly, we virtually emptied the well of fiscal revenue with the establishment of the so-called People's Property Area (PPA). This is a holding composed of properties formerly owned by Somoza and his closest followers. An additional large number of farms and factories owned by other citizens—which have been de facto occupied, nationalized or expropriated—have similarly been incorporated into the holding. Therefore, the much ballyhooed 60-percent private/40-percent public ownership of property is no longer accurate. The PPA is a guzzler of resources. It is neither a good credit risk nor a reliable taxpayer. The government refuses to recognize that what is really significant for the state is the control of surplus. Instead, it is obsessed with state ownership of the means of production. The consequences of such policies are increases in the money in circulation, arrears in public loan portfolios, and fiscal and balance-of-payment deficits. Nicaragua is condemned to be an international beggar.

IV

The latter part of 1979 became a period of jockeying in a contest to define the ideological content of the Revolution. It also was a

time of "sloganeering." The slogan chanted most frequently and loudly was "Vencimos en la Insurrección, Venceremos en la Alfabetización" . . . etc. ("We were triumphant in the insurrection . . . we shall triumph in any other undertaking.") This slogan epitomizes a macho attitude which appears to be the hallmark of Sandinista rhetoric. The pundits, radical ideologues of the party, would consider defeatist the mere thought that our limitations should lead Nicaragua to take a more pragmatic attitude, accepting compromise as a means, rather than a hindrance, to reaching the Revolution's objectives.

Nevertheless, I would be unfair and ungrateful if I failed to publicly recognize the Sandinistas' gestures of political goodwill and generosity toward non-Sandinistas, one of which was my own appointment to various official positions.¹ It is indeed significant that "San Antonio," the largest Central American sugar plantation, continues, as of this writing, under the ownership and management of scions of the wealthiest Nicaraguan families. "San Antonio" is a model enterprise.² In contrast, the frequent and arbitrary seizure of farms, houses and factories, for example of "Jabonería Prego," Nicaragua's most important soap-manufacturing company, is a gross injustice. Its owners paid salaries above the levels required by law, had no debts and invested their profits in the country. The expropriation, so far without compensation, of medium-sized properties that are often the products of the arduous work of self-made men, is even more regrettable.

It is thus distressing to observe how totalitarian trends are gaining the upper hand in the process of defining Nicaragua's Revolution. In the pursuit of a thorough emasculation of the "establishment," the radical zealots are prone to exhibit iconoclastic contempt for highly respected people and institutions. As a result, the moral authority of the Revolution has been impaired.

One error was the unwarranted vilification of Fernando Aguero, former president of the Conservative Party of Nicaragua and head of state, and Eduardo Montealegre, founder and president of Banco Nicaraguense, which headed a financial conglomerate. This has not gone unnoticed in Nicaragua. Under the circumstances prevailing in Somoza's Nicaragua, an opposition politician like Aguero could not have avoided participating in the political arena; nor could an

¹ One of the three members of the current Junta is a conservative. Likewise, the Cabinet, Supreme Court of Justice and Council of State include non-Sandinistas.

² The most important sugar operation in the region, with extensive sugar cane plantations, it is controlled by the Nicaragua Sugar-Estates Corporation. Among its principal stockholders are members of such prominent families as Pellas and Benard. Management has a distinguished record for efficient production and a genuine social concern for the well-being of its workers.

independent banker such as Montealegre eschew formal relations with the government. Ironically, they were treated as rigorously as if they had been collaborationists, when in fact each in his own field strongly opposed Somoza.

The Sandinistas have also sparked public indignation by their rough treatment of the highly respected president of the Nicaraguan Red Cross, Ismael Reyes.

The harassment of Archbishop Miguel Obando y Bravo is yet another example of the boorish behavior which is costing the Revolution a political fortune. After all, the Archbishop is Nicaragua's most charismatic personality, beloved and respected by his people. Moreover, the Popular Church, sponsored by the Sandinistas in order to mortify the traditional Church, is more fiction than reality, designed to appeal to the staunch supporters of the Revolution, especially those abroad, who want to see the Sandinista Revolution through Pollyanna's eyes.

And there are no words to describe the shabby treatment of the Pope.

Censoring *La Prensa*—falsely calling its editors CIA stooges—is not only a violation of the freedom of the press, but a folly which jeopardizes any popular legitimacy of the Revolution.

It should not be forgotten that "dissidence" by non-Marxist revolutionary individuals or groups is the opposite of "counter-revolutionary" sentiment. It does not represent a challenge to Sandinista power, but rather an appeal to moderation. No one rejects the Sandinistas' preeminence, and this is not simply because of their military power. They earned their moral authority during the war of liberation.

As was to be expected, though nonetheless regrettable, extreme leftist radicals consider dissent as treason. Therefore, the dissenting views of the former guerrilla chieftain, Edén Pastora, provoked chagrin and wrath on their part—and, by symbiosis, these feelings are shared by the extreme right. With the announcement in Costa Rica of his dissident stand, on April 15, 1982, "Cero," as he is popularly known, released the dissidents from their "straitjackets." They can now march with him, a man viewed by many Nicaraguans as a true Sandinista hero. They may be called "traitors" by fanatics, but the Nicaraguan people know the truth. Pastora has the power to greatly increase the number of dissidents.

It is truly a pity, tragic by any standards, that Nicaragua's Revolutionary Government may waste an opportunity to build a unique, model revolution, not just a replay of any other. I have heard people say that the reason revolutions in Latin America choose

socialism is that it conforms to our cultural preference for authoritarianism. However, I strongly believe that my country does not have an indigenous vocation for tyranny. On the contrary, it has every right to aspire to a revolution as originally proposed by the Sandinistas, from which they are currently deviating and to which they should return. Any people, however backward, aspiring to justice and freedom, cannot accept absolutism as synonymous with revolution.

Likewise, those who have the good fortune to live in democratic countries, but prescribe socialism without freedom for developing nations, might, unintentionally, be adopting postures as patronizing as those who are nostalgic for paternalistic exploitation. The greatest disservice to Nicaragua's Revolution has been the "blank-check" solidarity given to its leaders through thick and thin—and regardless of their faults—by some governments and groups abroad. I am not suggesting that foreign aid be stopped. On the contrary, it must be continued. Nonetheless, I think that those sympathetic governments, if they are *true* friends of the Revolution, should use their leverage to bolster freedom and justice in Nicaragua. Otherwise, they may be fanning the fire for the self-destruction of Nicaragua's Revolution. Unconditional support, whether for reasons of idealism or partisanship, risks taking my country on a round trip; from the *past* to the *past*. As a matter of fact, Ernesto Cardenal, a renowned Nicaraguan poet and currently Minister of Culture, in one of his poems, scores the United States for its chutzpah: having first intervened in the internal affairs of Nicaragua to put Somoza in power, the United States then used the principle of "non-intervention" as a pretext for keeping him in power in spite of his dictatorial rule.³ Today, faced by the new reality of a Marxist dictatorship, some supporters of the FSLN seem to react with a similar double standard.

v

In April of 1980, after nine months in government, I was confronted with a difficult decision. I had already become deeply disturbed by the indiscriminate and speedy radicalization of the Revolution amid a great deal of confusion and sudden changes. As I confided to one of the revolutionary commanders, I was learning the meaning of "vertiginous speed"; in fact, I felt dizzy. More seriously, I was frustrated by revolutionary "purification," which was eliminating not only the weeds but sometimes the roses as well.

³ He wrote about U.S. support to Somoza: "Lo subió la intervención y lo mantiene la no intervención."

I was approached to fill one of the vacancies on the five-member Junta created by the resignations of Violeta Barrios de Chamorro and Alfonso Robelo. Mrs. Chamorro is a lady of great moral stamina; Alfonso Robelo an excellent administrator. Although they had borne the brunt of participating in a troubled alliance, they had now reached the limits of their patience, as a result of the unexpected increase, above and beyond the number originally stipulated, in Sandinista representatives on the Council of State.

After a painful process of soul-searching—which included weighing opinions across the spectrum—I joined the Junta a few months before the celebration of the first anniversary of the Revolution. I remained in that position somewhat less than a year.

During that period, I observed a push for the “Sandinisation” of almost everything in the land. It seemed as if the Sandinistas, in their paranoia, were driven by an urge to assert their authority, their primacy, and this, in turn, provoked an overreaction among the non-Sandinistas. Sensing their rejection, these groups would occasionally test the Sandinistas’ tolerance, to the point of quasi-provocation. This unfortunate situation had several negative effects. In the first place, it discredited broad alliances, making them appear to be mere tactical devices used by the Marxists to attain power. Consequently, the struggles of other revolutionary movements in the region were rendered more arduous. Internally, it meant that the unification of the Nicaraguan nation would be more difficult—and perhaps even impossible.

At that time, our foreign policy began to show how senseless our goals were. Instead of dedicating all our energy to building the ideal society for which our people had hoped, we were chasing chimeras abroad. It was a game with a high cost, bringing us to where we are today: we have exchanged the well-being of Nicaragua for a seat on the Security Council of the United Nations. Declaring ourselves nonaligned, we were, in fact, leaning to the Socialist bloc. Our actions belied our lip-service to nonalignment; it was difficult to explain our position vis-à-vis the Soviet invasion of Afghanistan. No less astonishing was our silence about the heroic struggle of Solidarity in Poland. Political analysts detected the contradictions, the most bewildering of which was that we did not seek the establishment of relations with the largest Socialist nation on earth—the People’s Republic of China. Furthermore, the Taiwanese ambassador, envoy of a government which had been openly pro-Somoza, was among the first to present his credentials. It seemed that, acting as a loyal pawn, we were applying an old principle of political conduct—“My friend’s enemy is my enemy; and my enemy’s enemy

is my friend." Were we about to change our status from "hacienda" to satellite?

I reached the conclusion that, given my position as a member of the Junta, the dissent which I manifested publicly on various occasions was not in harmony with the unity—I do not mean unanimity—which should exist in the executive branch of government. I considered it my duty to resign.

VI

Upon my resignation from the Junta, I accepted with enthusiasm my appointment—which I specifically requested be limited in duration—as Ambassador to the United States. Before departing for Washington, I was assured by the National Directorate of the FSLN that they were moved by a genuine desire to reach an honorable settlement with the United States. I now faced the overriding question of how to reconcile Washington's understandable concern for U.S. national security with Nicaragua's inalienable right to self-determination. I have always felt that, for negotiations to be successful, it is essential that both sides have good intentions. It should not be a game of each side trying to outsmart the other.

During my first days in my new post, I received the impression that the United States would not tolerate a leftist military victory in El Salvador. In addition, some remarks by the U.S. Ambassador to Nicaragua, Lawrence Pezzullo, hammered persistently on my mind. Ambassador Pezzullo, I venture to say, had developed sincere feelings of sympathy for my country. It was one day in the spring of 1981—some time after the failure of the Salvadoran guerrillas' January "final offensive"—when he pleaded, amicably and candidly, that the government in Managua refrain from aiding insurrection in the neighboring nations. The Ambassador stressed that this was important for Nicaragua's own well-being.

In August of 1981, the Assistant Secretary of State for Inter-American Affairs, Thomas Enders, met with my superiors in Managua, at the highest level. His message was clear: in exchange for non-exportation of insurrection and a reduction in Nicaragua's armed forces, the United States pledged to support Nicaragua through mutual regional security arrangements as well as continuing economic aid. His government did not intend to interfere in our internal affairs. However, "you should realize that if you behave in a totalitarian fashion, your neighbors might see you as potential aggressors." My perception was that, despite its peremptory nature, the U.S. position vis-à-vis Nicaragua was defined by Mr. Enders

with frankness, but also with respect for Nicaragua's right to choose its own destiny. He indicated that there was a fork in the road: one way leading to friendship between the United States and Nicaragua; the other to separation between the two countries. Maybe, he said, Nicaragua had already advanced along this second route. However, it was not too late to discuss an understanding.

When the conversations concluded, I had the feeling that the U.S. proposal had not been received by the Sandinistas as an imperialist diktat. However, nothing positive developed; Managua and Washington remained at loggerheads; tensions increased.

In the meantime, the frequent shutdowns of *La Prensa* and the imprisonment of business leaders for criticizing the government undermined me personally. At such a delicate time, when a head-on collision with the United States was imminent, I realized that, in view of the fact that I dissented from my government regarding its domestic policies and disagreed with its foreign policy, I could not continue being an effective envoy. I therefore left the government permanently.

In retrospect, I see that, as a Nicaraguan citizen, in spite of my loyalty to and admiration for the Sandinistas, I was never able to accept—without a popular referendum to sanction their pretensions—the belief that an offense to *their* government is an offense to *our* fatherland; that the actions of *their* political party are the actions of *our* people.

VII

At this point in time, the conclusions that can be drawn regarding Nicaragua's revolutionary process are the following:

- The Sandinista leaders as guerrillas were authentic classics—daring, shrewd, flawless. They conquered power.
- They have not proved successful statesmen and are overwhelmed by the responsibilities of government, which they render more complex by their own dogmatism.

After 45 months of Sandinista rule, the nation is in a calamitous state. The people are divided by hatred and resentment; the economy is in a shambles and war rages, threatening to reach the level of intensity that existed when Somoza was put at bay.

I am dedicated to my profession and do not consider myself as having a vocation for politics. However, like most of my compatriots, I remain keenly interested in my country's future. I am sympathetic to Edén Pastora and the other leaders of the Alianza Revolucionaria Democrática (ARDE) because they profess to seek the democratic rescue of the Revolution. It is my understanding

that Pastora has made proposals for a dialogue; and, since April 1982, he has indicated that he favors a policy of persuasion. Unable to effect a dialogue with the Sandinista leadership, Pastora finally has resorted to the use of force but claims he would still be open to a peaceful solution.

I follow, with disenchantment, the continuing and traumatic erosion of the Revolution. As its former followers become increasingly discontented with the regime, the United States is hardening its position. Disillusioned, key men in the Revolution are leaving the government. The departure, for instance, of Alfredo César, who served the government with distinction and had the full support of the FSLN in the renegotiation of the foreign debt and in other delicate assignments, such as minister-president of the Central Bank of Nicaragua, is a setback for the Revolution.

Counterrevolutionary forces, backed by the United States, are bolder in their attacks against the Revolution.

The confrontation with the United States has reached its outer limits. Washington has admitted its involvement in Nicaragua, even qualifying its intentions toward the Revolutionary Government—"We do not seek its overthrow Our purpose . . . is to prevent the flow of arms to El Salvador" Indeed, the President recently outlined his Central American policy before a joint session of Congress, referring to Central America's problems as directly affecting the security and well-being of the American people. Moreover, he stressed the strategic importance of the isthmus, and has labelled the Sandinistas' government "a new dictatorship." However, I respectfully express my confidence that subsequent remarks attributed to the President by the press do not amend his statement that U.S. support of insurgent forces is not intended to overthrow the Sandinistas.

Embarrassingly for the Sandinistas, the Brazilian authorities caught red-handed four Libyan airplanes loaded with weapons and ammunition destined for Nicaragua, which the Libyans had declared contained "medicines." How tragic it is that my country's government gambles with the security (and safety) of its people—misguided by its delusions of grandeur, seeing itself, foolishly, as an important piece on the chessboard of world politics.

Pablo Antonio Cuadra, an exemplary and erudite citizen, in one of his forceful editorials in *La Prensa*, reminded the Sandinistas that, if indeed they love Nicaragua, they should start by being prudent in order to protect it from any harm and avoid exposing it to danger.

The Frente Democrático Nicaraguense (FDN), whose “contras” are successfully carrying out guerrilla activities deep inside Nicaraguan territory, and which—they boast—is “backed by the mightiest nation in the world,” represents a moral defeat for the Revolution. It is indeed humiliating to those who really care for the Revolution that some FDN members who were civic cadavers have been resuscitated politically and vindicated morally by the excesses of the Revolution. Other members are citizens who have been victims of oppression—like the Miskito Indians and small farmers—or those who simply wish to see a different political system in our country. An even more significant indication of the despair experienced by a wide range of citizens is that the national directorate of the organization is composed of people with good credentials, such as Adolfo Calero, Marco Zeledón, Alfonso Callejas and Lucía Salazar.⁴ The fact remains, however, that most of those persons in positions of military authority within the FDN are ex-members of the National Guard, who unconditionally supported Somoza until the end, against the will of the Nicaraguan people.

In the event of a complete FDN victory, however remote the possibility, this national directorate would bear the difficult responsibility of controlling events so as to prevent the reinitiation of the vicious cycle of extreme right-wing oppression and exploitation, followed by insurrection and, finally, the return to power of extreme leftist absolutism; and, more important, to prevent acts of revenge.

Carrying perhaps an even greater responsibility, those who sustain the forces inimical to the Sandinistas must not ignore the fact that idealistic young boys and girls constitute the Revolution’s rank and file. Therefore, those who aid insurrection in my country—whose disenchantment with the Revolution’s course and concern for the security of their own country I do not dispute—should be aware of the risk they take of bearing a historical responsibility for contributing, albeit indirectly and unintentionally, to a possible mass execution of the flower of our youth. A line of distinction should be drawn, now more than ever, between “contras” and armed dissidents.

Backing the “contras” indiscriminately could prove self-defeating to the United States. It weakens the moderating forces and strengthens the role of the extremists in Nicaragua. I do not pretend to

⁴ Jorge Salazar, her late husband, was an outstanding, fine and courageous man who helped the FSLN to overthrow Somoza and worked with great devotion to organize unions of small producers; he was a gallant defender of democratic principles. His assassination by state forces, in circumstances never clarified, casts an ugly shadow on the Revolution.

ignore the disposition of these Sandinista radicals to totalitarianism. But neither do I wish to advocate selective U.S. support for Nicaraguan insurrectionary elements. Nonetheless, no one should ignore the strength of Edén Pastora's will, clearly shown after less than four years of FSLN dictatorship, to rebel. (During 45 years of the Somozas' rule, neither the National Guard as an institution, nor the Somocistas as a political party, ever showed a genuine will to resist their tyranny.) More important, Pastora's insurgency does not seek the destruction of the Revolution, but rather its redemption from Sovietizing influence—for which, I believe, our people are deeply yearning.

It is ironic that Nicaragua may have missed an opportunity to liberate its political destiny from eternal dependency on the United States. We could still achieve our self-determination if only the revolutionary leadership would choose a new path for the Revolution—one of less notoriety, where we could bury the grudges of the past, live in the present with realism and move into the future with optimism. Unfortunately, we have again become entangled with the United States, in great measure by our own doing. As in the past, Washington might once again become the arbiter of our destiny.

President Reagan has asked Congress for a bipartisan U.S. policy toward Central America. I hope this can be accomplished so that the United States may deal with our crisis in a more objective way. Perhaps a more uniform human rights policy can be applied to Central America as a whole. In my judgment, a bipartisan policy would facilitate a consensus between Congress and the Executive, which is necessary to deal with this issue, so vital to the United States and to Central America. Such a consensus could lead to a better understanding by the United States and its allies of how to assist Central Americans in the achievement of permanent peace. Likewise, a human rights policy applied with equal rigor to both leftist and right-wing regimes would enhance U.S. credibility.

The present crisis is a monster with two heads. One of them is underdevelopment and social injustice. To deal with it, social reforms and financial assistance are required. However, this will be a futile effort if the other head—violence—is not also severed. Consequently, and as President Reagan indicated, *negotiations* to remove *all* foreign military advisers and troops from the region are most desirable. However, in order to ensure success in this search for peace, efforts to attain a settlement in the region, such as those being undertaken by the Contadora group, composed of Mexico, Venezuela, Colombia and Panama, and the proposal for a dialogue

put forth by Ambassador Sol Linowitz and Galo Plaza, former secretary general of the OAS, should be promoted. Outside support of insurrection in El Salvador as well as in Nicaragua must be halted.

Even if rescuing the Revolution may now appear an unattainable goal, the fact is that the Revolution ought to be irreversible. Therefore, the United States, while preserving its security from any threat, should understand that the Nicaraguan Revolution, while in a state of sickness, is still worthy of an effort to heal it.

It is my honest opinion that Edén Pastora is today one of our most valuable political assets and that we can call upon him to uproot the contradictions and vices hindering the process of social, political and economic transformation in Nicaragua which justice and decency demand. “Cero” has an important role to play in our history. In his last proclamation, on April 15th of this year, “Cero” reiterated his commitment to peace and explained his decision to launch an armed struggle against his former comrades as his answer to a call from the people to defend the national honor and expel from our soil the new intervention—the “internationalists” who virtually occupy Nicaragua today. In addition, Pastora swears to uphold freedom and democracy. He reaffirms his conviction that rescuing the original revolutionary project is the only way to attain these goals. A warrior like “Cero” who vows to put an end to despotic militarism deserves respect.

The United States has already shown its resolve to oppose Nicaragua’s exporting of Marxist revolution through Central America. Its most effective and least confrontational weapons are economic measures. The recent reduction in Nicaragua’s sugar quota is Washington’s warning of what might follow, e.g., suspension of purchases of beef, coffee, shrimp and other products, and of sales of critical equipment. Even if the Socialist bloc were willing and, above all, able to replace the United States as the main trading partner, it could do so only under such poor conditions that Nicaragua would achieve at best a pyrrhic victory. On the other hand, if Managua were ready to give the United States acceptable assurances for a solid settlement, Washington should restore its economic relations with Nicaragua, on a basis of mutual respect.

An initial reconciliation between the FSLN and ARDE, as proposed by Edén Pastora and his allies, remains a valid option: commitment to pluralism, a mixed economy and normal relations with the Soviet bloc. Subsequently, this reconciliation should include all Nicaraguans—which is essential to ending the diaspora or exile of thousands, freeing those in prison, and redressing injustices. When that

is accomplished, and only then, will there be peace and stability. This is a cause that the United States should consider promoting, as a sign of its acceptance of revolution in this hemisphere. As for the Sandinistas, while it would be unreasonable to expect them to negotiate with armed groups, they should avail themselves of well-meaning intermediaries in order to find a way to ensure peace and progress in Nicaragua.

Piero Gleijeses

**THE CASE FOR
POWER SHARING
IN EL SALVADOR**

The Reagan Administration came to power confident of its ability to impose Washington's will on Central America. El Salvador was the immediate focus of its attention—and optimism ran high. The ill-timed January 1981 “final offensive” of the *Frente Farabundo Martí de Liberación Nacional* (FMLN) had already failed when Ronald Reagan entered the White House. To the eager eyes of the new Administration the FMLN's defeat appeared a rout. Victory would be swift and at little cost, Washington believed, with no need for U.S. assistance markedly above the levels reached by the outgoing Carter Administration. The easy success would spark little controversy at home and abroad, and sweep away any lingering remnants of the Vietnam syndrome in the United States.

The Reagan Administration also emphasized, and has done so consistently ever since, that the course of U.S. policy in El Salvador would influence American prestige and credibility throughout the world. Indeed, if the United States were able to attain the defeat of the rebels without indiscriminate violence, U.S. prestige would be greatly enhanced. Even victory through extreme repression would demonstrate the credibility of the Administration's guarantees, however costly the success might appear in moral terms.

But the Salvadoran “test case” has turned into a nightmare. Recent Administration requests for vastly increased military aid confirm the evidence from the battlefield: the war is not going well. The record of the Salvadoran regime on human rights and social reforms appears dismal to all but the Administration's most devout supporters. At home, Reagan's Salvadoran policy is increasingly divisive; abroad it evokes little sympathy, even among those who do not wish an FMLN victory. Rather than projecting an image of strength and resolve, U.S. involvement in El Salvador increasingly

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betrays weakness and lack of purpose. The Administration haggles with Congress over a few million dollars of military assistance and a few dozen military advisers, but is unable to suggest a coherent strategy for victory. Meanwhile, inordinate concern is focused on that small country, deflecting U.S. attention from other pressing issues—to the point that South America, beset by dangerous economic and political tensions, appears as an appendage of Central America and, in particular, of El Salvador.

President Reagan has asked Congress to “stay the course” in El Salvador, but only offers old prescriptions which have already failed. American-trained battalions have performed poorly; in view of the pervasive lack of morale that characterizes officers and troops alike, there is no reason to believe that additional training will produce more satisfactory results. An election is scheduled for late 1983—as one took place in the spring of 1982—but there is no present indication that the second will prove any more effective than the first in solidifying the domestic strength or international prestige of the regime. The Administration’s search for a “center” will continue in a game of musical chairs: generals will replace generals and civilians will replace one another. Meanwhile U.S. officials will claim, as they have done throughout, that the “process” of democratization (that ritual expression that masks a paucity of evidence) is underway, and that time must be granted to the president or defense minister of the moment.

The quagmire will deepen. This is the lesson of the U.S. involvement in El Salvador and of the “process” underway since 1980. As U.S. officials have periodically acknowledged, the easy victory over the guerrillas predicted in January 1981 has become a stalemate, and this stalemate is slowly turning in favor of the FMLN. Yet President Reagan disclaims any intention of sending combat troops—and his sincerity need not be challenged. But he also stresses, with an emphasis that seems to grow with the deterioration of the situation in El Salvador, that an FMLN victory will threaten vital U.S. interests, and that the United States will never abandon the Salvadoran people. Thus two principles are set forth which appear increasingly contradictory—a gap in logic which words, or robust optimism, cannot bridge and which may eventually confront the United States with the agonizing choice between a humiliating last-minute withdrawal and a desperate recourse to military intervention.

Both direct U.S. military intervention and military victory by the FMLN appear unacceptable to a large majority of Americans. Many agree with the view recently stated by Representative Clarence

Long, an outspoken critic of the Administration's policy: "We made a mistake by becoming involved. But we are involved and it would be a mistake to pull out."¹ With rare exceptions even those who do not believe that a military victory of the FMLN would threaten vital U.S. interests fear the intangible toll that such an outcome would exact on U.S. prestige and, above all, on American self-confidence: however ill-conceived the U.S. involvement may have been, a great power cannot afford simply to withdraw and acknowledge its impotence, particularly in its own backyard.

While criticism is growing within the United States—and in Congress a majority is clearly dissatisfied with the present policy—the Administration retains one major advantage: its opponents lack a coherent alternative. The fear that a victory of the FMLN would lead to another Cuba paralyzes real debate. The growing radicalization of the Sandinista regime fuels such fears, adding welcome support to the Administration's admonitions. Nor are Congressmen necessarily impervious to the Administration's thinly veiled warnings: were El Salvador to "fall," Reagan's critics would be saddled before the American people with the responsibility of defeat—an ominous threat for elected officials.

Trying to break out of this vicious circle, the most vocal critics of the Administration, particularly those of the liberal persuasion, seek to strengthen the political center in El Salvador. Extreme repression, corruption and lack of social reforms, they note, only deepen the regime's isolation, weaken its war effort, and make it difficult for the United States to provide much needed military and economic assistance. They demand, therefore, that the United States exert much greater pressure to force the Salvadoran regime to respect human rights and implement social reforms. Finally, both the Administration and its critics profess to want meaningful elections.

The thesis of this article is that the Salvadoran military is indeed the real source of power on the government side, and that moving toward its reform is a first essential step. But sweeping or lasting reform cannot be achieved in a state of continued hostilities. Likewise, elections cannot be truly meaningful, or produce stability, so long as they are held under essentially wartime conditions.

Accordingly, what is proposed here is a sequence of steps: (1) achieving significant reform of the Salvadoran military by determined U.S. pressure; (2) the initiation of a dialogue between a

¹ Martin Tolchin, "Working Profile: Rep. Clarence D. Long, Shaping a Response to the 'Mistake' in El Salvador," *The New York Times*, April 22, 1983, p. A16.

partially reformed military, on the government side, and the leaders of the guerrilla opposition—looking toward a truce and leading, after such a truce, to (3) the formation of a Government of Transition in which power would be shared by the contending forces, and the introduction of outside peacekeeping forces. Such a transition government would then operate for a period of two or three years, leading finally to (4) the holding of nationwide elections.

In carrying out such a course of action, the United States would consult closely at every step with the governments of other interested countries in the area. In short, to the maximum possible extent this process should have the genuine force and appeal of a regional solution.

II

As the Administration has argued so convincingly, real power in the rebel camp belongs not to the “moderates”—the civilian politicians of the *Frente Democrático Revolucionario* (FDR)—but to those who have the guns, the leaders of the FMLN. The same consideration applies, however, to the government camp. Duarte was an ineffectual president not because Reagan provided him with less support than Carter did (a highly dubious proposition), but because power rested, then as now, in the hands of an unreformed military. President Alvaro Magaña and the moderate civilian groups that support him have as little influence with the armed forces as Duarte and the Christian Democrats had in 1980 and 1981. Clearly, the United States will achieve little in El Salvador without a fundamental restructuring of the military—a task particularly difficult in the midst of civil war. Mere reshuffling among senior leaders of the present military establishment (as was the case with the recent replacement of General José Guillermo García as Defense Minister) represents cosmetic changes of marginal significance.

Apparently, however, the advocates of a more moderate course have won an important victory. The House Foreign Affairs Committee has overwhelmingly voted to suspend military aid to the Salvadoran government if unconditional negotiations do not begin within 90 days of the legislation’s enactment—unless it is the insurgents who have refused to negotiate. What is more, the Administration, in a sharp reversal of its previous policy, has announced that it will accept this condition.

But the Committee’s resolution still shies away from the twin imperatives that alone can make possible a negotiated solution: a thorough restructuring of the armed forces and power sharing between the military and the FMLN *before* elections. The resolution

offers no way out of the dilemma represented by an oppressive military, and only demands, as a condition for further aid, that the Salvadoran government begin negotiations. Under these circumstances, there is no incentive for the regime to seek a negotiated settlement. Negotiations will remain a sideshow that will drag on without results while the war continues. It is little wonder, therefore, that the Reagan Administration has at last moved away from its previous rejection of unconditional negotiations. By a long overdue formal concession the Administration will mollify—for a time—its domestic critics. Behind the rhetoric, the Administration will persist in the policy that it has consistently followed from the start—the pursuit of military victory. There is no other option, so long as the United States refuses to accept either a military victory of the FMLN or the only feasible peaceful solution: one based not on the concept of unconditional negotiations, but on power sharing.

Power sharing may appear, however, an equally unrealistic formula. An exceptional dose of optimism is required to imagine peaceful coexistence between the FMLN and the Salvadoran armed forces as presently constituted. Moreover, even if negotiations toward power sharing under the present circumstances were to prove possible and lead to some form of transitional government, the truce would doubtless prove fleeting, with the two camps maneuvering to position themselves for the final onslaught. Civil wars seldom end through negotiations, and this dictum seems particularly appropriate to El Salvador, in view of the chasm separating the antagonists. Is the battlefield therefore the only solution?

I do not believe so. The situation in El Salvador has not yet deteriorated to such a degree. There is a reformist group within the armed forces that could bring about a restructuring of the military sufficient to justify an earnest attempt at power sharing without, however, destroying the institution in the process (for otherwise power sharing would merely mean a negotiated surrender to the FMLN). And this proposition can be better appreciated if one looks back at the events of October 1979, when the military deposed the then President, General Carlos Humberto Romero.

III

By the end of the Romero regime, the officer corps shared one common belief: that the Carter Administration was ready to abandon the regime, while the growing guerrilla threat made U.S. support imperative. Thus the army felt compelled to act against Romero. Beyond this, there was no unity within the 800-man strong officer corps, except on one crucial point: the military institution

must be preserved. A large number were apathetic toward social reform, and would follow any group within the military which could best ensure the survival of the institution, particularly if this group enjoyed the blessing of the United States.

There were, however, two factions of roughly equal strength that held more precise views. The first was led by Colonel Adolfo Majano and Lt. Colonel René Guerra y Guerra, two men untainted by corruption. It included a core of about 200 officers, mostly lieutenants and second lieutenants, but also a number of captains and majors. These were moderates, who had come to accept the principle of social reform as both morally just and indispensable for the survival of the army, and favored the principle of negotiations with the radical left.

The other faction was led by Colonels García, Jaime Abdul Gutiérrez and Carlos Eugenio Vides Casanova (the current Defense Minister); it was smaller in numbers, but stronger hierarchically, for it included a majority of senior officers. This faction opposed both social reform and any negotiation with the radical left, and offered to the fledgling insurgency only a choice between unconditional submission and war; it accepted corruption as a normal feature of military life, as Colonels García, Gutiérrez and Vides Casanova had amply demonstrated in the course of a long and profitable career.

This division between moderates and hard-liners, with an apathetic group in between, was not new in Salvadoran military politics; it had already appeared on several occasions (in 1944, 1948, 1960 and 1972); on each occasion the conservative group eventually won out, usually with the benevolent neutrality or the active support of the United States. Each time, however, the moderate group only represented a minority of senior officers, while those of lower rank remained passive. But following the events of 1972—when presidential candidate Duarte was denied victory at the polls through brazen electoral fraud—a new process began to unfold. Confronted by mounting popular unrest and growing evidence of the bankruptcy of the system, junior officers began to question, in increasing numbers, the entire structure of Salvadoran society. The divisions within the armed forces that emerged between 1972 and 1979 differed from those of the past in at least two crucial respects. Instead of a small group of senior officers, it was now a question of a large number of junior officers; and instead of the constitutionalist demands and vague populist aspirations of the past, the disaffected officers now sought deeper social change.

By October 1979 the forces were balanced: the moderates were

stronger numerically and held the initiative, while the conservatives had the advantage of rank. In the tenuous equilibrium which marked the first post-Romero junta (mid-October 1979 to early January 1980), U.S. support could have tipped the balance in favor of the moderate group. But the Carter Administration, while clearly sympathetic to the principle of social reforms in El Salvador, feared losing control of events. Washington's suspicion of the obvious inclination of the reformist officers to establish a dialogue with the radical left and of the presence of communist ministers in the Cabinet, was matched by the failure to appreciate the true repressive nature of the group led by Colonel García. Thus, the U.S. attitude toward the first junta was one of suspicion, and American support went to "safe" officers like García.

By the time the first junta collapsed in early January 1980, the balance of power was already shifting against the reformist group—a process of emasculation that continued in the following months. U.S. distrust helped to isolate the moderates, while the escalation of the civil war that followed the demise of the first junta created a context of violence that made moderation difficult for military officers. Lieutenant Colonel Guerra y Guerra was forced into exile already in late January 1980; Majano held out longer, but his power steadily decreased. He was forced out in December 1980, after losing the last major confrontation in September.

Majano, Guerra y Guerra and other leading moderates, like Lieutenant Colonel Leonel Alfaro, Major Román Barrera and Lieutenant Colonel José Francisco Samayoa, are now in exile,² but the great majority of their former associates remain in the armed forces—in positions, however, of little influence. The captains and the majors have been shunted off to desk jobs. The lieutenants are at the front—but their low rank means that they lead only small units. They are under the command of more senior and "trusted" officers, making it impossible for them to acquire an independent power base. Furthermore, the dynamics of the war, and their own code of loyalty, lead them to fight for the survival of the military institution, however much they may disagree with the policies of their commanders.

It is obvious that on their own the reformist officers can no longer

² Majano is in Mexico, travels frequently throughout the region, and maintains excellent contacts with the governments of Mexico and Panama; Guerra y Guerra, who had acquired a graduate degree in engineering in the United States, lives in California. Barrera is Military Attaché in Venezuela; Samayoa is Consul General in San Francisco; Alfaro has been sent to study in the United States. Technically, Barrera, Samayoa and Alfaro are not in exile.

play a critical role within the armed forces—except perhaps in the chaos of a military defeat, when all that they would be likely to achieve would be a negotiated surrender to a triumphant FMLN. But Washington, if it has the political will, possesses the leverage to repair the error of the Carter Administration and enable the reformists to attain key positions within the armed forces as a precondition for power sharing.

This proposition may appear incongruous when critics and supporters of the Administration alike bewail the lack of U.S. influence over the Salvadoran military. But at present the leverage of the United States suffers from a devastating weakness: a lack of credibility. The Reagan Administration scolds its Salvadoran protégés—at times even publicly—and warns them that, should they fail to improve their behavior, Congress will stop aid, against the Administration's own wishes. But the perceptions of many Salvadorans, and particularly the military, are more straightforward. The Administration has pawned its prestige on the Salvadoran test case, stressing repeatedly that a guerrilla victory would threaten vital U.S. interests, even raising the specter of falling dominoes from Panama to Mexico. Time after time U.S. officials have stressed that a guerrilla victory cannot and will not be tolerated—while arguing, for domestic consumption, that the conduct of the Salvadoran allies is far better than the critics claim, and continues to improve. The United States will never turn its back on the Salvadoran people, Reagan has solemnly promised, and the Salvadoran military conclude—perhaps with the naïveté of unsophisticated foreigners—that, with only minimal concessions on their part, the Administration will effectively shield them from Congress' wrath.

Congress' own behavior reinforces these perceptions. Congressmen complain, threaten, and reduce the size of the increases in aid demanded by the Administration; yet the vital flow of military and economic assistance is not cut off. Congress, too, is not ready to countenance an FMLN victory and is hostage to its own fears.

The United States can reestablish an eroded credibility, and acquire the leverage that the importance of its aid warrants, only when reproaches and highly circumscribed sanctions give way to concrete and decisive actions. The unambiguous suspension of military assistance, accompanied by the firm threat to cancel economic aid within a given time period, would be the only effective weapon to force a restructuring of the military. Such action, aimed at creating the indispensable preconditions for a negotiated settlement of the war, would have to be placed within an effective

framework of mutually reinforcing policies.

Before delivering any ultimatum to the Salvadoran military, the United States should ascertain whether the conditions exist for power sharing. Concretely this would mean that Washington would seek the collaboration of Latin American and European governments particularly concerned with Salvadoran developments and able to provide useful assistance.³ Regional powers such as Mexico, Venezuela, Colombia and Panama (already associated in the Grupo de Contadora) and, in Europe, France and Spain, would be logical candidates. Washington would also confirm the willingness of Majano and others in the same group to participate. Similarly, the United States would establish contacts with the FMLN to gauge the rebels' reaction. The FMLN would be asked to agree in principle to a truce and other key elements of power sharing.

If the results of these preliminary talks prove satisfactory, the United States will present its desiderata to the Salvadoran armed forces. It will announce that within the framework of a peace plan formulated with other governments, it is suspending military aid to El Salvador, and will halt economic aid in a specific and limited period of time unless its demands for restructuring of the armed forces are met.

The initial U.S. desiderata should be significant enough to have a real impact, but not so sweeping as to immediately threaten the stability of the Salvadoran armed forces. The United States could demand that Colonel Majano be made Defense Minister (such an appointment under the constitution is the prerogative of President Magaña), and that some other key military positions go to officers from the moderate group that emerged in October 1979. Concurrently, a few senior officers, particularly notorious for their repressive practices or particularly hostile to a democratization of the military, would be retired or sent abroad as military attachés.

At this stage a full-fledged restructuring of the armed forces would not yet be in order, only an effective beginning of the process. For its part, once the initial U.S. demands were met, the FMLN would be expected to honor the commitment made in the exploratory talks by accepting a truce for a set period. Thus would begin the formal negotiations on power sharing.

One must ask, however, whether the United States would indeed

³ Many studies, like the recent Sol Linowitz/Galo Plaza, *The Americas at a Crossroads* (April 1983), argue that the United States should give a major role in El Salvador and Central America as a whole to the regional powers. The intention is laudable, but only the United States has the leverage to bring about a negotiated solution. Therefore the key role in effecting a peaceful settlement in El Salvador must belong to the United States.

possess the leverage to impose these initial changes on the Salvadoran armed forces.

From a purely military perspective, the Salvadoran army could continue to fight for many months without U.S. military assistance. Once economic aid was suspended as well, however, the ability of the regime to resist would be drastically curtailed. But the significance of U.S. aid goes well beyond narrow military and economic considerations. Aid is necessary as proof of Washington's commitment to prevent a collapse of the already shattered morale of the Salvadoran army. Some argue that if the "Yanquis" were to push them too far, the Salvadoran military would react in a spasm of nationalism, fighting with fierce pride to the bitter end. But the behavior of the Salvadoran officer corps—a consistent pattern to which U.S. military advisers have been at times blunt witnesses—leads to opposite and unflattering conclusions.

Confronted by a credible U.S. threat, and fully cognizant of their own military weakness, the Salvadoran officers would not react with suicidal pride and defy the "Yanquis." Rather, two deeply rooted and mutually supporting impulses would prevail: personal opportunism and the desire to save the military institution. Both require not defiance, but acquiescence to U.S. will.

IV

Once the initial U.S. demands on the Salvadoran High Command have been met and the FMLN has responded by accepting a truce, negotiations between the armed forces and the FMLN could begin.

The moderating participation of civilian associates on both sides and the inclusion of mutually acceptable foreign governments would ease the process of negotiations. The United States would play a vital role behind the scenes, using its leverage to force deeper changes in the Salvadoran military—an indispensable condition for a negotiated settlement. The security corps murder machine would have to be disbanded. Moderate members of the 1979 Majano group would occupy more senior positions, while a significant number of officers implicated deeply in the repression would be cashiered or sent abroad as military attachés; some, instead, might receive scholarships for foreign study (in this regard the precedent of the settlement imposed by the United States in the 1965 Dominican civil war provides valuable guidelines).

While any suggested plan should not attempt to be overly precise (for many points will evolve during the negotiations), the negotiating process should end with the establishment of a Government of Transition (GOT) that would lead to internationally supervised elec-

tions. The GOT should last two or possibly three years—so as to afford the country the benefits of a long enough respite before elections after the convulsions of the civil war. Within the GOT, as many cabinet positions and key bureaucratic posts as possible should go to representatives of the civilian groups: the FDR and the parties that supported the Magaña government. Above all, personalities who have broken with the current regime, without however joining the FMLN/FDR, should be included. Many, with impeccable democratic credentials, are now in exile in Mexico, Costa Rica, Honduras and the United States.

On the other hand, it is unlikely that ARENA, which is controlled by elements of the most extreme right-wing fringe, could be allowed to continue in its present form. Some of its most dangerous leaders, such as Roberto d'Aubuisson, should be exiled. One should not exaggerate the difficulty of this task: with the support of the military, ARENA can orchestrate widespread terror; its own military strength, however, is marginal (as in the case of ARENA's Guatemalan counterpart, the *Movimiento de Liberación Nacional*, which the current Guatemalan military government has neutralized with little effort). In the final analysis, ARENA's influence on the Salvadoran armed forces would prove insignificant if counterbalanced by an effective U.S. pressure.

The GOT would institute social reforms according to a minimum program previously agreed upon in the negotiations. As the FMLN has hinted, such reforms could be those enacted (but not implemented) since October 1979—on paper, an impressive bit of legislation. The realization of the program would create a critical momentum for peace, giving to the population, regardless of political sympathy, a vested interest in the survival of the transitional government. By the same token, it would strengthen civilian organizations such as the large peasant confederation, *Unión Comunal Salvadoreña*, which cannot prosper in the midst of civil war.

Economic aid of roughly \$400–500 million annually would flow into the country to sustain social reform and economic recovery. Of this sum, the United States could contribute the amount it now disburses in economic and military assistance (within the framework of a GOT, any further inflow of arms into El Salvador would be both unnecessary and destabilizing). The balance of necessary aid would come from international organizations, and from U.S. allies that now refuse to further a unilateral U.S. policy they oppose. This assistance would be an additional guarantee of peace, since El Salvador's economy, to a much greater degree than that of Nicaragua in 1979, is in desperate straits. Representatives of interna-

tional organizations, and of donor governments neutral in the conflict, should monitor the use of the aid.

To hope for a swift integration of the military units of the FMLN with the army would be overly optimistic. If necessary, the two forces should be allowed to coexist under some appropriate formula throughout the tenure of the GOT, leaving the issue of integration to an eventual elected government; an effort should be made, however, to decrease the size of the two forces proportionally. Above all, it would be imperative to establish an international peacekeeping force of a few thousand—that is, strong enough to police the agreement. Probably no foreign governments would be eager to volunteer contingents (except perhaps those governments which are not neutral in the conflict and would therefore be unacceptable). But several countries that have forcefully expressed their dissatisfaction with current U.S. policy and their eagerness to contribute to a peaceful solution would find it hard to refuse their participation in so important an undertaking.

In the Western Hemisphere, likely candidates include Mexico, Panama, Ecuador and Canada; European governments such as those of France and the Scandinavian countries could also participate. The force should remain in El Salvador throughout the two- or three-year tenure of the GOT and in the first year of the elected government to help ensure compliance with the results of the elections.

V

Power sharing runs against the grain of present U.S. policy, and goes beyond the proposals of most critics of the Administration. It raises significant questions about the fairness of the plan, the risks it would entail of a violation by the FMLN, and the effect it would have on the prestige and credibility of the United States. Many, and, in particular, Administration supporters, will condemn power sharing as undemocratic, and unfair to the Salvadoran government, arguing that “we would be treating our allies as puppets,” while allowing the FMLN “to shoot its way into power.”

But these objections are hardly pertinent in the Salvadoran context. The present regime is neither democratic nor representative of the population, and the Salvadoran armed forces, the real holders of power, are repressive and corrupt, as the Congress of the United States is discovering. The Reagan Administration, furthermore, interferes daily in the internal affairs of the Salvadoran government, at times successfully (as in the selection of a provisional president after the March 1982 elections), but more often ineffectually. The issue, therefore, is not the principle of U.S. interference,

but rather the efficacy of such interference in protecting U.S. interests.

Principled opposition to violent seizure of power seems equally irrelevant. In the case of El Salvador both the Carter and Reagan Administrations lent their support to those who shot their way into power in October 1979 (the "legitimizing" elections took place only two and a half years later in the midst of bitter civil war). At present, in neighboring Guatemala, President Reagan is eager to embrace another group that overthrew an elected government ("Rios Montt has received a bad rap from the press," the President proclaimed after a brief meeting with the highly controversial Guatemalan general in December 1982). In short, U.S. policy does not oppose on principle the violent seizure of power, and with good cause—such rigidity would justify the permanence of dictatorships. Instead, the principle is conditioned by an Administration's approval of those who do the shooting—a task at which, unfortunately for U.S. policymakers, the FMLN is proving increasingly proficient.

But even if one accepts that power sharing must be imposed on the Salvadoran government, wouldn't fairness and prudence require that extremists be purged not only in the armed forces, but also within the FMLN?

In the case of the Salvadoran military it is possible to purge a group of extremists without destroying the effectiveness of the institution, for they would be replaced by moderates. Reciprocity would demand that the same principle be applied to the FMLN. It is evident that the United States cannot exert over an undefeated enemy the same leverage that it has over an ineffectual client—thus it would be naïve to expect that the State Department could select members of the leadership of the guerrillas, as it can do for the Salvadoran military High Command. The issue is further complicated by the lack of unambiguous criteria by which to identify the extremists within the FMLN.⁴ Many U.S. observers considered the late Cayetano Carpio an extremist among the major FMLN leaders because he was the last to accept the principle of a negotiated settlement. If extremism were based on "pro-Sovietism," then the villain would not be Carpio, but Shafik Handal, the Secretary

⁴ The FMLN consists of five groups: the Popular Forces of Liberation (FPL) which were led by Carpio; the People's Revolutionary Army (ERP); the Armed Forces of National Resistance (FARN); the Communist Party of El Salvador (PCS); and the Central American Workers' Revolutionary Party (PRTC). The FPL, the ERP and the FARN provide almost all of the FMLN's mass support and military strength. The deaths of Carpio, the FMLN's most prestigious guerrilla leader, and, a few days earlier, of his second-in-command, is likely to have two effects: a decrease in the relative importance of the FPL vis-à-vis ERP and FARN, which have shown more inclination toward negotiations; and an increase in the influence within the FPL of those who are more inclined to compromise than Carpio was. The FMLN should thus be more receptive to the possibility of a negotiated settlement.

General of the Communist Party of El Salvador, a minuscule group which has distinguished itself, within the FMLN, both for its close ties to Moscow *and* for its willingness to negotiate.

In short, the principle as applied to the FMLN is far more complicated than in the case of the Salvadoran armed forces. Furthermore, reciprocity may be to a large extent a moot point. By replacing extremists within the armed forces with more moderate officers, the United States would be doing much more than granting a concession to the guerrillas: above all, it would be pursuing its own objectives. As presently constituted, the Salvadoran armed forces are a prime cause of U.S. failure in El Salvador. Moderate officers would help restructure the military in a direction that most Americans, including Administration officials, wish to see, but that cannot be attained through present policy. The concession to the FMLN, in other words, would also be a major gain for the United States.

It might prove tempting, however, to implement the same program of military democratization and socioeconomic reform without power sharing—presenting the FMLN, instead, with a *fait accompli*. Yet, this course would ultimately prove self-defeating. The war would continue, for unilateral U.S. moves could hardly assuage the FMLN's deep distrust. A program of democratization in the midst of civil war would be extremely difficult to implement, however sensible the proposition might appear in theory. Moreover, the vital international component of the plan would be sacrificed, since third countries would be highly reluctant to join in what they would consider as one more cosmetic effort on the part of the United States. For this same reason, independent Salvadoran figures whose participation is vital would remain aloof, if not outright hostile.

Power sharing, however, can only succeed if the FMLN is willing to join in the negotiations and the subsequent transitional government in good faith. There are no ironclad guarantees that the rebels will be serious negotiating partners; there exist, however, strong indications to that effect, and, above all, countervailing measures built into the power sharing plan. The FMLN has repeatedly stated its willingness to negotiate, arguing that the price of military victory would be a protracted struggle that would not only entail a high cost in human lives, but leave the economy in a shambles.

While skepticism may be the better part of wisdom, this is no reason to refuse even to explore the possibility. If the guerrillas were to break the negotiations or violate their premises, the United States would retain the option of resuming military aid, and the Reagan Administration would be in a far better position, both at home and abroad, to justify support for the Salvadoran regime. If

the FMLN were to resort to force once the GOT had been established, or to disregard the results of the elections, the presence of the international force would place the rebels at an extreme disadvantage. Nor is it inconsequential that the neutral countries that would participate in the power sharing scheme cannot be accused of bias toward the FMLN. Even France and Mexico, which have expressed with particular force their sharp disagreement with Reagan's policy in El Salvador, do not support the rebels. Their mounting disappointment with Sandinista rule would harden their opposition to FMLN attempts to subvert the negotiations or the GOT.

U.S. prestige and credibility abroad are suffering—and the damage will increase as long as the present policy continues. In contrast, through power sharing the United States would demonstrate both the pragmatism necessary to abandon a counterproductive policy and the intellectual flexibility to devise coherent alternatives. Power sharing may also influence developments elsewhere in Central America, but would not require, as a precondition, a general political settlement for the region. A peaceful solution in El Salvador should not be held hostage to a more encompassing settlement which may occur too late, if at all. On the other hand, just as the Salvadoran conflict exacerbates regional tensions, its solution could have positive repercussions throughout the area. In particular, it could help defuse tensions between the United States and Nicaragua. An improved relationship would strengthen the hand of the pragmatic group within the Sandinista leadership, depriving hardliners such as Tomas Borge and Bayardo Arce of the argument that U.S. aggression requires stricter social control at home and closer ties with the Soviet bloc.

By the same token, the end of U.S. "covert" actions against Nicaragua would free Washington from the need to support the military faction of General Alvarez in Honduras. This faction, through widespread corruption and repressive practices, poses an immediate threat to the feeble Honduran democracy and, by furthering a process of radicalization, endangers the long-term political stability there. Finally, there is a distant possibility that the American refusal to sustain the Salvadoran regime any longer might spur Guatemalan officers to support a reformist policy in their own country before it is too late, rather than relying on cosmetic changes and prospects of U.S. assistance, as the current military dictatorship does.

The plan outlined here provides a framework rather than a rigid structure. It allows room for flexibility and modifications—as long as the essence of power sharing is not weakened. It emphasizes the

figure of Majano, but in the end that role might be played by another moderate officer. It stresses the suspension of military aid as an instrument to restructure the armed forces, though there might be flexibility as to the timing. It makes no mention of Cuba, yet a degree of Cuban participation might help allay FMLN suspicions. Other formulas as well could be devised for particular aspects of the plan, but definite contours would only emerge through the process of negotiations.

Power sharing offers a realistic chance of success. Yet it requires a willingness on the part of the United States to take one chance: if the Salvadoran officer corps rejects the U.S. demands, it must be left to its fate. For reasons already noted, this act of defiance would be most unlikely; but should it occur, it must be said that the United States would only be abandoning sooner rather than later a doomed enterprise.

VI

In the final analysis, the virtues of power sharing must be assessed against the alternatives. It holds no attraction for those who believe that current U.S. policy in El Salvador has a fair chance of success. It is addressed to those who have concluded that "staying the course" in El Salvador can slow but not reverse the deterioration of the situation. If this assessment is accurate, then the present policy will eventually confront Congress with a cruel dilemma: a direct military intervention, or military victory by the FMLN in circumstances humiliating for U.S. prestige and credibility, and hardly conducive to an eventual modus vivendi with the triumphant guerrillas.

Those who believe that Nicaragua is becoming a second Cuba, and fear that, without U.S. aid, the same fate might befall El Salvador, should remember that the Sandinistas came to power through a total military victory. Power sharing would deprive the FMLN of just such a victory—far more effectively, indeed, than Reagan's present policy can hope to do—and restrain the rebels within effective limits. The period of transition would permit the growth of other political groups and a softening of the polarization between contending military groups. In elections, held under far more dignified circumstances than those of March 1982, the Salvadoran people could at last express their preferences. The Christian Democrats, the political parties of the FDR, and other forces of the moderate left and right could profit from this opportunity, as could the Salvadoran people, at last afforded a realistic hope of democracy and reform.

Arthur Hertzberg

ISRAEL AND THE WEST BANK

A THE IMPLICATIONS OF PERMANENT CONTROL

s a territorial entity, the West Bank can almost no longer be separated from Israel. Menachem Begin and his government have seemingly already achieved their central ideological objective of creating the undivided, because it is already indivisible, land of Israel. Weeping over U.N. Security Council Resolutions 242 and 338 and all that supposedly flows from them, such as the Camp David Accords, appears to be precisely that: an act of piety toward intentions that have been defeated on the ground.

It is necessary, first of all, to understand what Israeli policy on the West Bank really represents. Israel's government is in no hurry to annex the West Bank in law. On the day of such an annexation, the Arab population in the "undivided" land of Israel would approach two-fifths. The well-known demographic argument that, within measurable time, a high Arab birthrate would produce a majority, is probably not true, because the rate of emigration from the West Bank has been, both under the Jordanians and now under the Israelis, fairly large. Trained younger people are going south toward the oil kingdoms, or west to America, in search of roles and fortunes that they could not achieve in the stagnant economy of the West Bank. Thus the Arab population has not been growing at a rate equal to the high birth rate in the region.

Two countertendencies are likely to continue in some fashion and to cancel each other out. The drift of the Arab intelligentsia and professionals to leave Israel will continue, probably at a faster rate. Increased Jewish building in the West Bank is, however, providing a living for thousands of Arab workers, and they will remain. The percentage of Arab population in the undivided Israel may thus grow beyond its present near-40 percent, but the nature

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of that population will have changed. From Israel's point of view, a more proletarian community will be politically more manageable. Some Likud ideologues are willing to face the prospect of annexation and of an Arab near majority with considerable equanimity: they do not feel that Jewish control of the state of Israel would be endangered. Less sanguine observers fear that this might be true for a decade or two, but they argue that in the long run the children of these workers will learn from the Israeli example how to fight for their own nationalist cause. The majority view in Israel, therefore, is that formal annexation is both dangerous and unnecessary.

Annexation is especially to be avoided because of the United States, Israel's major ally, which has essentially been passive while the settlements policy has proceeded. The Americans are not likely to do anything drastic, even as such endeavors have been increasing. Acceptance has already been voiced by high American officials of the notion that, if there ever were a separate status for the West Bank, on the basis of U.N. Resolutions 242 and 338, the settlements would remain intact. An act of formal annexation by Israel would thus be an unnecessary red flag in front of the American bull. The most amiable of bulls, who is a friend of the matador, can ignore minor pin pricks, but the whole world would know that he is not a bull at all if he did not charge a red flag.

The Begin government will thus continue to practice its by now well-established two-pronged policy. It will advance its own formula of "personal autonomy" for the "Arabs of Judea, Samaria and the Gaza District." Under this formula, Israel asserts territorial control of the West Bank, including, most importantly, the right to change its contours. New settlements and a network of new roads crisscrossing the land are acting, together, to divide the Arab population into a series of separate enclaves. "Personal autonomy" also means that, when it is in place, the Arabs of the West Bank would vote for their autonomous Council, which would have substantial local functions, but no territorial control. Most important, this population would not have the right to vote in Israeli elections. Meanwhile, the Jewish population in the West Bank would continue to grow, in part for ideological reasons, but even more because the building policy of the present government is such that cheaper and far better new housing is being built beyond the "green line," the pre-1967 border of Israel, than is to be found inside the pre-1967 boundaries.

This description of the situation leads to one inescapable conclusion: the Begin government already has what it wants, that is, freedom of action in the West Bank to achieve its ideological ends. It does not want to be pushed to freeze the settlements, nor does it

want to be stampeded by its own hard-liners toward annexation. Several years of increased settlement activity are all that is really necessary, from the Likud's point of view, to put an end to the problem of the West Bank.

The question that therefore needs to be asked is not whether this annexation can be carried out—for, on Begin's real terms, it has very nearly occurred. What needs to be asked is: how does this achievement change the lives of the major protagonists in the drama of the Middle East?

II

To start with Israel and the Jews, this is a change of a magnitude very nearly equal to the historic turning which the creation of the state of Israel in 1948 represented. The Begin policy on the West Bank is popular in circles which do not share the ideological annexationism of his party. It does speak for one of the deepest emotions of world Jewry, both inside Israel and in the Diaspora, in the twentieth century: anger at the results of Jewish powerlessness in the age of Hitler.

On the deepest level, the whole of the Jewish world has not yet come to terms, if it ever can, with the reactions of the Western powers to Hitler's war on the Jews. In the 1930s, the Jews could only beg some bits of help from the conscience of the West. As Menachem Begin forces the hand of Washington, and as he disregards London and Paris almost entirely, the toughness of his approach, the very fact that it is couched in language which eschews diplomatic niceties, is some balm poured on a painful and lasting wound. In the very act of speaking brusquely to Western powers, Begin is transforming the Jewish people from victims or a polite client of uncertain benefactors, to a power in its own right. One of the dreams of Zionism is thus realized.

Internally within the Jewish world, and especially in Israel, Begin's nationalism is righting the emotional wounds of the Sephardim. Ashkenazim, the Jews of European origin, dominate the economy of Israel, its professions and its intelligentsia. The Sephardim, which means, in actual practice, the Jews of North Africa who came to Israel in large numbers after the state was declared, have for more than a generation been overwhelmingly in the laboring class, though there are some beginnings of socioeconomic rise in the last decade or so. Begin has cast himself as the leader of this hitherto largely inert political mass, the Sephardi proletariat and lower bourgeoisie. By politicizing this near majority of Israel, Begin is handing over the government bureaucracy, and every other agency

of Israel which is subject to governmental influence, to new people. Not all, or even the majority, of these new men are actually Sephardim, because the pool of trained talent which is of that origin is not as yet sufficiently large, but the change in control of power offers hope to the dispossessed, or at least the satisfaction of seeing the old Labor elite in trouble.

In one particular way, the control of the West Bank is necessary to this process. It is symbolically important as a break with the policies of the past under Labor, as an act of interring previous history in all its aspects. The cheap housing which is now being built on the West Bank, even though not very much has yet been used to relieve the burdens of the slum dwellers, is nonetheless regarded as the symbol of future hope for those now living eight in a room in the poor, largely Sephardi neighborhoods of Jerusalem and Tel Aviv. Arab labor that is bused in from the West Bank is not resented by the Sephardi poor. This was perhaps best explained by a young woman of Sephardi extraction who works as a bank teller in one of Jerusalem's innumerable branch banks. She said recently to a visitor: "My mother cleaned this bank after hours, while Ashkenazi girls were the bank tellers. Now this bank is being cleaned after hours by laborers who come by bus from a village east of Jerusalem. Now I am a bank teller. I do not want to return to the older situation." In Israel, Arab labor on the West Bank has become the equivalent of Turkish guest workers in Germany. Such labor is the guarantee that someone will collect the garbage while the children of the local poor can move up the social scale to white-collar occupations.

Nonetheless, despite all these positives, the Jewish people as a whole, both inside and outside Israel, contemplates the ongoing annexation of the West Bank with a divided heart and even with foreboding. The dominant concerns are in the realms of morality. A people which chooses to occupy an unwilling territory, no matter how high and worthy may be the motives of the occupier, must inevitably "get tough" on occasion. It has no choice, if it wants to remain in occupation, but to expect troublemakers (that is, the nationalists on each side) to fight each other. The government must be prepared to put down an occasional riot with tear gas or worse, and to try to find complacent figures among the occupied who are willing, for some kind of price, to do the bidding of those in control.

Modern Hebrew writing, since the war of liberation in 1948 which created the state of Israel, has dealt—with recurring pain—with the theme of Jews as overlords of Arabs. The present insistence

on controlling the West Bank has raised this moral discomfort to a level of magnitude that it never had before. Young conscripts from Tel Aviv are unhappy in their role of riot police throwing tear gas at even younger Palestinian teenagers who are making demonstrations. Many officers do not like being proconsuls in the West Bank. Obviously, there are those in the Israeli Army who do not mind occupation duty, but many do. Sitting on well over a million unwilling Arabs is thus creating ambivalences within individual soldiers, and in Israeli society as a whole. If the situation in the West Bank ever turns uglier, the strains over the nature of the response to riots will divide Israel even more.

Raja Shehadeh, the well-known lawyer from Ramallah, has just published a short book entitled *The Third Way: A Journal of Life in the West Bank*, in which he tells in poignant detail of the "meanness and arbitrariness" of the occupiers of the West Bank.¹ What Shehadeh had to tell has been reported over and over again in the opposition Israeli press, led by *Ha'aretz*. This knowledge—that occupation is inevitably ugly and that some settlers in an unfriendly territory tend to become vigilantes—has been part of the fuel which has fired Peace Now and the rest of the opposition to Begin. The *Jerusalem Post* itself, in an editorial in the very issue which contained the review of Shehadeh's book, complained of "the blight of vigilantism." The editors argued that "the settlers expect the authorities to weed out terrorism by means that are barely appropriate in even occupied territories." The editorial concluded by defending the new Defense Minister, Moshe Arens, who has "come out forcefully against vigilantism. But the blight has not been eradicated, even if it makes the occupier's lot harder still."

The situation reflected in these descriptions and comments is not one of future peaceful growth of Israeli population in the West Bank, while the local population remains inert. Indeed, precisely because the occupation of the West Bank makes settlement of the Palestinian question quite impossible, it leaves the most activist and intransigent elements among Palestinian nationalists with only one option: to find ways of adding to the discomforts of the Israelis. The sight of prolonged disturbances will increasingly make Jewish eyes in the Diaspora smart, as many Israeli eyes are already tearing.

The least realized cost of the West Bank occupation is beginning to be borne by Menachem Begin in his core constituency, the two-

¹ The words I am quoting are not Shehadeh's own (he is, of course, a partisan): they are from a lengthy review of the book by Dennis Silk in the *Jerusalem Post* (the weekly edition of May 15–21, 1983). What is remarkable about Dennis Silk's review is the space given to it in the *Jerusalem Post*, in the full knowledge that the weekend edition is the Israeli newspaper most read by Jews abroad.

thirds majority of the Sephardim who support him. To be sure, as was noted above, they have experienced a sense of social advance, emotionally, at the expense both of the Ashkenazi establishment and of the Arabs from the West Bank. Nonetheless, in real terms, the economic situation of the largely Sephardi poor has not improved at all dramatically. Despite all of Likud's promises to do more for the poorer neighborhoods, very little money has been spent directly on slum improvement. By one estimate, it has amounted to less than one million dollars, in the six years that the Begin government has been in power, while uncounted hundreds of millions have been spent on the West Bank. The effort beyond the green line has resulted in some twenty-five thousand Jewish settlers, but in its overwhelming majority the population has not come from the poorer slums. Some were there before 1977, when Begin came to office: they were in the border settlements created by Labor for "defensive purposes." The newer settlers are often young professionals who commute by car to their jobs in Jerusalem or Tel Aviv, and these are not usually Sephardim from a poor neighborhood.

It is conceivable, in a volte-face in Israeli politics, that a strong opposition campaign could be mounted in the very heart of Begin's camp on the question: "What has all this glory done for you?" Such a question is the explanation for the muted but known views of the principal Sephardi figure in the Begin government, the Deputy Prime Minister, David Levi. He is widely suspected of being more moderate in foreign affairs (he was almost the lone figure in the Israeli Cabinet to question the act of permitting the Phalange into Sabra and Shatila), and he continues to live in near poverty himself in a development town in Northern Israel. In the post-Begin era, David Levi's constituency will not necessarily want to spend so much of Israel's budget on the ideological venture on the West Bank in place of socioeconomic development nearer home.

Annexationist policies on the West Bank are all the more likely to be muted, or even reversed, if the Labor opposition returns to power. It is true that Labor has found it difficult to mount a consistent opposition to Begin, because the moderates are themselves divided into several factions which disagree as to what to do about the West Bank. Nonetheless, even the most hawkish of Labor's leaders, the former Premier, Yitzhak Rabin, would like to redivide the West Bank with Jordan. The major figures in the Labor Party, Shimon Peres and now Yitzhak Navon, the immediate past president of Israel, agree with this concept; in varying degrees, each would be even more forthcoming than Rabin as to the amount of territory to be returned. The announced position of the Labor

Party, that it is for "territorial compromise" in the West Bank, does not, as it stands, meet the desires of even the most moderate Arabs, but it is fundamentally different from that of the Likud. Labor's policy is wrapped in no Biblical mystique about the ancestral land, and it argues Israel's position only in terms of its security needs.

On balance, however, so long as Begin is at the helm, his policies will work and succeed. It is hardly conceivable that he will lead his party again to the polls in an election in 1986. Between now and then, however, he will have put so much money, effort and population into the West Bank that a Palestinian state, or even an autonomous region, will be impossible.

But he cannot leave it as a peaceful legacy to his successors, especially since the means that are required to increase the range of Jewish presence—settlements on lands expropriated from more or less doubtful public domain, sitting on the local population, and disregarding the uneasy consciences within Jewry—can only become more and more divisive. Begin's successors will be in a far weaker position than a heroic figure of his charisma to preside over the problems that he will have left behind. The signs are already apparent in contradictory polls in Israel, which show that the discomforts with the Likud government are beginning to grow.

III

Among all the major actors in this drama, the Arabs are the most comprehensible. It would be easiest for them, in all their factions, if the Americans imposed upon the Israelis a West Bank solution which they could grudgingly accept as a *diktat* from the dominant superpower, without having to admit to the compromises that went into the making of such a settlement. At that point, the "moderates" could say to the hard-liners that they gave away no points of theological or nationalist doctrine, and that they simply accepted what was offered to them, and not from the hands of the Israelis.

This could be presented, rhetorically, as the beginning of a semi-mythic process of the ultimate regaining of all of Palestine. Any arrangement which steps beyond this line is dangerous to the very life of Palestinian "moderates," as those who recently shot Issam Sartawi have demonstrated. The history of the Palestinian question since the early days of the British Mandate is replete with examples of such murders within the Arab camp, of antimoderate "truth" coming out of the gun-barrels of rejectionists. Therefore, despite the Reagan Plan of September 1, 1982, and the intense effort to get King Hussein—and Arafat, through him—to join the negotiations on the future of the West Bank, the purported spokesmen of

Arab and Palestinian moderation have repeatedly drawn back from dropping the last veil in public. The result, inevitably, is that even the most reasonable of Israelis continues to ask the obvious question: "With whom are we to negotiate?"

Many years ago, Golda Meir once asked in my hearing, with considerable exasperation: "To whom shall I return the West Bank? Am I to wrap it in a pink ribbon and send it to some Arab post office marked 'To whom it may concern'?" In effect, therefore, the Palestinian leadership is, whether it likes it or not, the chief co-conspirator with the Likud. The only thing that Israeli annexationism cannot afford is Arab moderation, but Arab intransigence has made this so dangerous a pursuit that Arab moderates are ever less likely to appear.

The Palestine Liberation Organization may console itself at this moment that it is a "diplomatic entity," that it is not finished and that it will remain at the center of the diplomatic game, even after the defeat in Lebanon and no matter what happens on the West Bank. This is sheer delusion. Inexorably, as the possibility of some territorial base for Palestinian nationality evaporates, the Palestinians may split into warring factions; in any event they are more likely to become an ever greater nuisance in the Arab world as a whole. The Jordanian crown was once not afraid of securing itself against the Palestinians by the most drastic means, in Black September of 1970. This very government accepted a mere handful of the Palestinians who were evacuated from Beirut last September. That Jordan is likely to become suddenly an easier place for PLO nationalists is inconceivable, unless they succeed in taking the country over in civil war. Deprived of the option of even negotiating for the West Bank, the Palestinians will, everywhere in the Arab states in which they are spread, become permanent residents, and in most places they are not very welcome ones.

An inevitable corollary to Palestinian frustration will be the growing distrust, and worse, of other Arabs toward them. The stage will be set for internecine Arab armed squabbles, which will make those which are presently the staple commodity of Lebanon look like a mere preamble to more drastic, more unpleasant and more widespread events. Terror and counterterror will weaken several of the Arab states, but it will probably do worse to the Palestinians. *The refusal to negotiate now is thus a momentary satisfaction, an expression of defiant pride, and an aid to maintaining the formal unity of the Palestinian national movement and the Arab camp.* Within the next two or three years, it will simply be seen as the preamble to Palestinian disaster and Arab instability.

There is Israeli hard-line opinion which contemplates the possibility of such turmoil and unrest in the Arab world with equanimity and even positive expectation. General Sharon is not alone in believing that the best possible outcome for Israel is the overthrow of the Jordanian dynasty by Palestinians, who would thus give meaning to the oft-repeated slogan, "Jordan is Palestine." Such a revolutionary transformation is to be helped along, in this view, by gently or not so gently encouraging many of the Palestinians in Lebanon and on the West Bank to find their way to Jordan. If such a process incidentally increases the internal discomforts of Assad in Syria by adding the Palestinians to his population, and if it helps, in general, to destabilize Arab governments in the region, so much the better. Such an outcome would lessen the power of the hostile forces facing Israel on the other side of their borders.

The trouble with this grandiose political thinking is that it is dangerously naïve. Israel may be better off, for a very short period, with political disintegration in the neighboring Arab states, but mobocracies and Khomeini-type regimes, despite their military weakness, are likely to be even more unpleasant neighbors than the more rational ones that exist now. There will be more raids and more suicide attacks. As the tools of terrorism become ever more sophisticated, the cost in life to a small country such as Israel, which is weary of war, may become greater and more painful. More seriously still, instability in the Middle East is the happy hunting ground of the Soviets. Arab angers directed at Israel will find their patron, as they always have, in the Russians. The weakness and instability of the Arab neighbors will remain temporary, as men of the Kremlin move in, wherever they can, to increase their forward positions not merely against Israel, but primarily against the power and influence of the United States in the region.

Arab weakness is thus not a guarantee of Israel's strength; it is more likely to be an invitation for more Soviet missile batteries and more "advisors." Israel will soon face ever more uncomfortable decisions. Will it really dare to take on the Russians more directly? How far will American support guarantee that such local confrontations on the borders of Israel will not get out of hand?

IV

The de facto annexation of the West Bank, and its probable effect of increasing internal tension and instability in the Arab world, thus raises the most critical question of all for Israel: what of the Americans?

That the strength and security of Israel is the cornerstone of American policy in the Middle East is self-evident. Israel is even less likely than the Saudis or the Jordanians to change sides in the superpower conflict; its internal institutions are the most stable in the region. The growth of Israeli power in the aftermath of the war in Lebanon is such that no Arab force stands the slightest chance in battle, not even Syria, despite resupply by the Soviet Union. The PLO has been smashed as a military force, and thus the Arab rejectionists and the Soviets have been handed another defeat. The Lebanese government is now in the American orbit. Logically, this ought to mean that the boundaries of America's power as Israel's major ally and friend have now been pushed forward, for Israel keeps the Syrians in check, spreads its umbrella over the Jordanians and would probably come to the immediate rescue, unasked, if there were serious outside subversion in Saudi Arabia. That, at least, is the scenario that has often been suggested by the hard-line Israeli strategic thinkers.

Therefore, so they argue, Israel's policies in the West Bank should be seen as nothing more than a minor concern which America can indulge, out of regard for so useful and productive an ally as Israel. Holding on to the West Bank gives Israel additional strategic space. Getting tough with the PLO, with its penchant for Moscow, demonstrates that there is no advantage to being in league with the great adversary of America. On both counts, the United States should be welcoming Israel's policy on the West Bank and on the Palestinian question in general.

The difficulty with this construction is that it misreads the long-term interests and the continuing commitments of the United States in the region. From the American perspective, to embrace the hard-line Israeli view means, at very least, to agree to the weakening of some of America's Arab friends. General Sharon may prefer a Palestinian ruling in Amman, but every American secretary of state has preferred King Hussein. The Jordanian dynasty, even on the occasional days when the King flies briefly to Moscow to tweak America's nose, is not likely to leave the Western orbit. One can detect no great passion for the Saudi royal house in American public opinion, but these oil princes, at their most flamboyant, are far better than the fanatical mullahs or Qaddafi-style junior officers who may succeed them. America has enormous investments, and not only economic ones, in its relations with large parts of the Arab world.

In the Middle East, the United States is a conservative power,

preferring stability to adventurism. This is all the more true because the Middle East is now the major fault-line of confrontation with the Soviet Union. To strengthen the American position, the rapid deployment force was organized in the aftermath of the debacle in Iran. For this military capability to be effective, secure bases are required not only in Israel, and perhaps in Lebanon, but also in a variety of locations throughout the Middle East. The radicalization of any additional Arab countries will surely produce more Qaddafis, who will tell the United States to go home. It can thus be argued, as Israeli moderates continue to insist, that, even in that country's own interests, to help radicalize the Arab world even in part, and to leave Israel as America's only reliable ally in the region would not be in Israel's interest. Israel will be worse off if tens of millions of Arabs in turmoil, and more tens of millions of Russians not far over the horizon, stare down at the state of Israel, on the edge of the Mediterranean, and at its off-shore American ally.

The moral and political issues are even more fundamental. The declared policy of the United States is that Israel's borders remain those which existed in 1967, with whatever modifications might be made in negotiations based on the U.N. resolutions which were passed after the 1967 war and on the Camp David Accords. An event that occurred in late 1981 is instructive. The present strongly anti-Soviet American government has no particular affection for the Syrians. Nonetheless, it suspended an anti-Soviet "Memorandum of Understanding" that was reached between Secretary of Defense Caspar Weinberger and Israeli Minister of Defense Ariel Sharon, because the Israeli government a few days later announced the formal annexation of the Golan Heights. The United States thus demonstrated that its regard for the legalities in the Middle East, as it understands them, outweighed even its distaste for the Soviet Union's principal client in the area. This action reinforced the commitment of the United States to endorse only those changes in relations between Israel and the Arabs such as the Camp David Accords with Egypt, and now, the peace with Lebanon, both of which were the result of bilateral negotiations with very close American involvement.

Moderate Israelis worry that the gap between Israel's actual position on the ground and the legal position to which the United States is pledged is widening. Israel, which has paid so dearly for the agreements on its northern and southern borders, cannot simply keep order, indefinitely, by force on its eastern approaches. There, even more than elsewhere, it can reach a settlement only with the

help of America. Moderate Israeli opinion knows that when this most complicated discussion finally takes place, the Americans will have to help Israel fight for the acceptance by the Arabs of an undivided Jerusalem, defensible borders, and security arrangements on the West Bank—the minimum terms of even the most moderate Israelis—all of which will not be easy to achieve in the face of Saudi fundamentalism and Palestinian nationalism. To imagine that the Americans can finesse these problems in the foreseeable future by saying to the Arab world, sorrowfully, that the West Bank matter has simply been settled unilaterally by Israel, and that there is nothing more to be done, is a pipe dream.

v

No matter how successful *de facto* annexationism might be, the shadow of its unacceptability in law will thus cloud and trouble this Begin achievement. This short-run “victory” is the preamble to long-term and worsening problems, within Israel and world Jewry, with the Arabs and the Soviets, and with a more ambivalent America.

The ultimate issue about the West Bank is not, however, whether such annexationism is politically prudent. It is in the realm of morality and of history. The backbone of Israel’s position in the world is that in 1947 it accepted the partition of Palestine as proposed by the United Nations and that Israel was willing to abide by this bargain. The Zionists assented to the proposition that the nearest approach to rough justice for both Jews and Palestinians was to be found in dividing the Holy Land into homelands for two peoples. The Arabs put themselves in the wrong in 1948, and thereafter. They rejected partition, and they waged war against it.

It is true that Menachem Begin and his party never accepted the principle of the partition of Palestine. For the Revisionists, Palestine had already been partitioned once in 1922, when Winston Churchill took that part of the land of the British Mandate east of the Jordan and created it as a separate realm. It was, and remains, the passionate conviction of the Revisionists, Menachem Begin’s party, that between the Jordan and the sea there could be only one state, the Jewish one.

Menachem Begin has been consistent. On the day after the U.N. vote on November 29, 1947, by which Palestine was partitioned into Jewish and Arab states, the commander of the Irgun, Menachem Begin, issued the following order of the day: “The land has not been liberated but mutilated. Eretz Israel will be restored to

the people of Israel—all of it—and forever.”² Begin resigned in 1970 from a national unity cabinet under Golda Meir, when she finally accepted U.N. Resolution 242, with its clear meaning that West Bank territories were to be returned to Arab control on the basis of international negotiation. Menachem Begin thus seems not to regard himself as personally bound by a deal which the Jewish people made in 1947, largely under the leadership of David Ben Gurion.

In 1948, Menachem Begin accepted the democratic processes of the state of Israel and he has lived by these principles. He disbanded the Irgun after the state was established and joined the parliamentary system. Recently he bowed, painfully, to the pressure of public opinion which forced the investigation of the outrages at Sabra and Shatila, and he has heeded the findings of the Kahan Commission, with a touch of legalism and political prudence which allowed him to keep Ariel Sharon as Minister without Portfolio.

Begin has never been a candidate for the man on horseback in Israel, but it is equally clear that he has never accepted the U.N. Resolution of Partition as anything more than a temporary device, to be swept aside at the right historic moment. Nonetheless, despite Begin and the ideologues whom he leads, the state of Israel was created on the basis of the Resolution for the Partition of Palestine. He may continue to insist that it was an agreement to which he and his movement were not party—but, before the world, it bound the Jews. There is some reason to hope that Arab moderates would come to the negotiating table if there were a cessation of the building of new settlements on the West Bank, especially because the Americans would then bring maximum pressure to bear on the Arabs. If such negotiations were to begin, it would immediately become clear that the differences between the two parties are unbridgeable. At their most giving, the Arabs have hinted, in the murky language of the Fahd Plan and the Rabat Declaration, that they might finally accept the principle of the Partition of Palestine, at least de facto. Begin, as he has said innumerable times, will continue to claim Israeli sovereignty over the whole of the land.

For many years, Israel said that the Palestinians could not have peace and a final settlement unless they recognized Israel, that is, unless they accepted the legality of the state created by the partition of Palestine. This is equally true for Israel itself. God may have once given the Jews a charter to all of the Holy Land, and, as a believing Jew, I have no doubt that He will give all the land to the

² I am indebted to Peter Grose, Senior Fellow at the Council on Foreign Relations, for reminding me of this quotation, which he cites in his forthcoming book, *Israel in the Mind of America*, to be published in the fall of 1983.

Jews again, in the Messianic age. In the here and now, in this imperfect realm of, at best, human rough justice, Israel was given a charter to part of the land, and it rightly demands that it be allowed to live there in safety. Israel's moral strength, and the possibility of its finally achieving peace, rest inevitably on its recommitment to the basic bargain that was struck at its founding.

Robert D. Muldoon

RETHINKING THE GROUND RULES FOR AN OPEN WORLD ECONOMY

AN OPPORTUNITY FOR
AMERICAN POLITICAL LEADERSHIP

Just as farmers might react to the end of a long drought, I and presumably every other Minister of Finance have been heard to issue a collective sigh of relief at the first clear signs of a U.S. recovery. This incipient recovery and the successful rescheduling of the largest debtor countries seem to have averted, for the time being at least, the very real danger of a collapse into global depression, financial crises and wholesale disruption of world trade flows. I understand “implosion” of the world economy is the current favored term to describe that particular chain of events.

It would be as well to keep in mind the extent of uncertainty that prevailed even late last year. Consider the mood at the last annual meetings of the International Monetary Fund and World Bank. If there is a banker’s equivalent to the whiff of cordite, I think I detected it in the corridors and lifts of the Sheraton Hotel in Toronto last September. By all means let us admire the speed, flexibility and finally the total pragmatism with which the Federal Reserve, the U.S. Treasury, the IMF, the Bank for International Settlements (BIS), the major international banks and the biggest debtor countries put together the reschedulings. My concern now, however, is that we should not forget how close we came to teetering over onto the other side of the knife edge.

It would be consistent with everything I understand from roughly 20 years of experience with the politics of international finance for the mood to swing 180 degrees in the opposite direction. We must resist the temptation to believe that the tentative recovery and financial rescue operations relieve us of the obligation to consider

The Rt. Hon. Robert D. Muldoon, C.H. was New Zealand’s Minister of Finance from 1967 to 1973. He has been Prime Minister and Minister of Finance since 1976. He is a former Chairman of the Joint Boards of Governors of the International Monetary Fund and World Bank, and of the Council of Ministers of the Organization for Economic Cooperation and Development (OECD).

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The Acoustic Detection

Scientists have studied microstructural discontinuities in high-carbon steel since the early 1920s.

By monitoring acoustic emissions, a materials research engineer at the General Motors Research Laboratories has arrived at a more detailed understanding of how one type of discontinuity occurs.

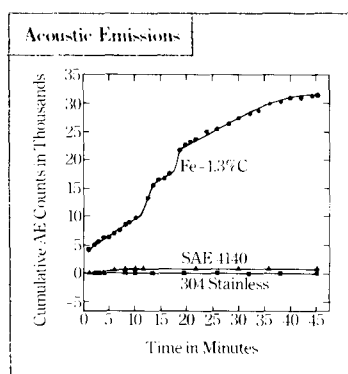
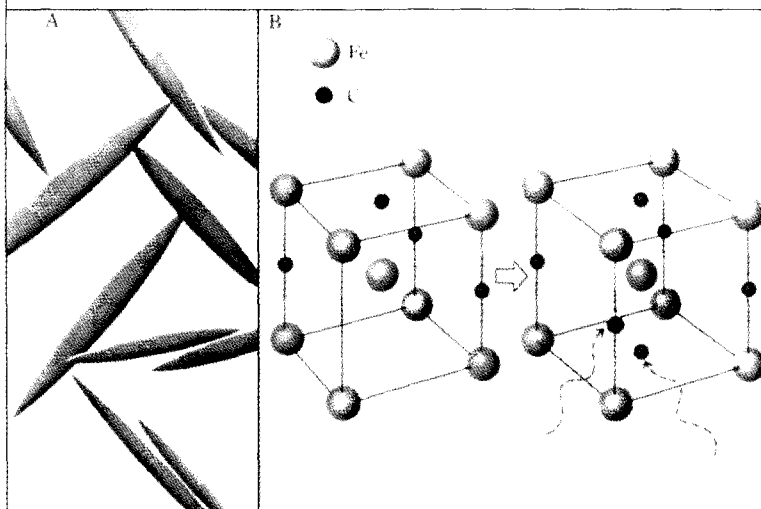


Figure 1: Cumulative acoustic emission counts for Fe-1.3% C steel, and control specimens of SAE 4140 and 304 stainless steel.

Figure 2: Artist's rendering of two proposed sources of microcracking: (A) impingement of the plates during the formation of martensite and (B) carbon atom rearrangement during the aging of martensite.



MARTENSITE is a hard microconstituent of steel which forms when austenite, iron containing carbon in solid solution, is quenched from a high temperature. The martensitic transformation produces steel that is hard and strong, but non-ductile. Through heat treatment, the steel can be tailored to applications requiring different degrees of ductility. High-carbon martensite—a highly stressed microstructure with a plate-like morphology—contains microscopic ruptures or separations 10 to 20 microns in length. These structural discontinuities, termed "microcracks," influence the mechanical properties of steel.

Although aspects of the microcracking phenomenon have

been understood by metallurgists for more than fifty years, there is still no definitive explanation for when or how it occurs. An engineer at the General Motors Research Laboratories has devised an experiment that detects the microcracks as they occur.

The elastic energy released when microcracks form should produce a stress wave and associated high-frequency acoustic emission (AE). Using a piezoelectric transducer as the monitoring device, Dr. Michael Shea set out to determine what could be learned about the microcracking process by measuring AE.

The more widely accepted of two current hypotheses—the "impingement model"—asserts that microcracking is transformation-induced, taking place due to the collision of martensite plates during the quench. The other model maintains that microcracking occurs during the aging of martensite after the plates have already formed. The "aging model" suggests that thermal activation enables carbon atoms to rearrange themselves, producing localized stresses high enough to cause microcracking. Dr. Shea's ongoing research into high-carbon martensite led him to believe that the aging hypothesis was important. He proceeded to determine if AE is produced during aging.

For his study, Dr. Shea chose Fe-1.3% C steel, which undergoes martensitic transformation during quenching and is known to form

microcracks. To provide baseline data, control specimens of 304 stainless steel and SAE 4140 steel were put through the same procedures as the test composition. When quenched, 304 stainless steel produces no martensite, and SAE 4140 forms a low-carbon martensite which has a lath-type morphology, and generally does not microcrack.

SPECIMENS of the three compositions were quenched to -196°C and then slowly heated to room temperature. Acoustic measurements were made beginning at 0°C , at which point carbon atom mobility is sufficient to allow rearrangement processes to take place, and continued for 45 minutes after the specimens had reached room temperature. No AE was recorded for 304 stainless steel, and only a slight amount for SAE 4140. Significant emission, however, was measured for the Fe-1.3%C steel specimen during the entire testing period (see Figure 1). Since martensite had already formed during the quench, these results support the hypothesis that microcracking is produced during aging of the freshly-formed plates. Dr. Shea ruled out both slip and twinning as sources of AE since the literature indicates that neither factor is significant during aging of martensite below 40°C . The possibility that the AE resulted from isothermal transformation of austenite to martensite could also be excluded

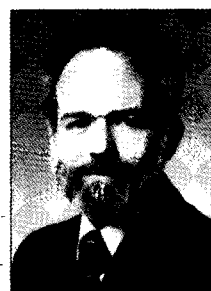
because this process does not take place in the composition studied.

"These results demonstrate conclusively," says Dr. Shea, "that microcracking occurs during the aging of high-carbon martensite, thereby providing support for the less accepted of the two models."

"The next challenge," he continues, "will be to quantify the relative contributions of both models—impingement and aging—in an effort to determine which, in fact, is the more important mechanism, thus furthering our understanding of microcrack formation. Then, perhaps, we can more systematically explore ways to minimize microcracking."

THE MAN BEHIND THE WORK

Dr. Michael Shea is a Staff Research Engineer in the Metallurgy Department at the General Motors Research Laboratories.



Dr. Shea received his undergraduate and graduate degrees in metallurgical engineering from Michigan Technological University, and his Ph.D. in materials engineering from Rensselaer Polytechnic Institute. His thesis concerned deformation and fracture of cesium chloride type superlattices. He joined General Motors in 1971.

The areas of metallurgical research pursued by Dr. Shea at General Motors include the mechanical properties of high-carbon steels, mechanically-induced transformation of austenite, and structure/property relationships in nodular cast iron. His exploration of the microcracking phenomenon in martensite was conducted with the help of instrumentation developed by GM colleague Dr. Douglas Harvey.

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a number of fundamental long-term political and economic issues. I do not mind in the slightest being regarded as a Jeremiah on this subject. One of the advantages of being the Minister of Finance of a very small country is that I do not feel compelled to share the onerous responsibility of talking up the recovery.

Economic analysis tells us change is better managed in times of growth; political analysis gives us a somewhat different message. Change normally occurs only after an existing system sustains a series of severe shocks. The art in all of this is to find a time and a way of reconciling the two points of view.

While the sense of shock is still with us, we must initiate the necessary process of rethinking the ground rules for an open world economy. Putting any changes into effect can be done as the recovery proceeds and thereby gives us a little flexibility to adjust to change. Indeed, this would strengthen the recovery itself. Failure to address structural issues of debt, protectionism, exchange rate volatility and effective macroeconomic policy coordination will, I believe, seriously constrain the recovery now underway.

With skillful management and good luck, the present conjunction of events offers a real opportunity for sovereign governments. The time is certainly propitious. In my view, we should aim to channel into a constructive international debate the pervasive political concern that has arisen from a decade of stagflation and dislocation of the trade and payments system.

Buried within the declaration of the Williamsburg Summit is a commitment to governments beginning such a debate in a formal sense. The Ministers of Finance of the summit countries are to work with the Managing Director of the IMF "to define the conditions for improving the international monetary system and to consider the part which might in due course be played in this process by a high-level international monetary conference." No matter that the conditional diplomatic language suggests some misgivings on the part of some of those who have put their names to this document. If we all agreed at the outset what needed to be done, we could dispense with the study and proceed directly to the political step of securing agreement at a conference. No matter that the exercise is seen as something for the summit countries only to undertake. It would be naïve to believe that fuller participation at this stage was within the limits of political possibility or in fact a practical proposition. In any case, the Managing Director of the Fund is not a civil servant of only the rich and powerful. I, for my part, will be making sure he is aware of the New Zealand govern-

ment's views as he undertakes to commit the resources of the Fund to this important endeavor.

Nor need we be too concerned that the focus of the study—international monetary issues—omits mention of the trade side of the overall trade and payments equation. The limitations of looking only at the monetary system will become quickly apparent. Nine months ago in London at the Commonwealth Ministers of Finance meeting, and then at the annual meeting of the IMF, I called for a second Bretton Woods type conference. At the time I used this descriptive term to be deliberately provocative and thus fix the dimensions of the task in people's minds. Today, of course, great statesmen and magazine editors are all calling for another Bretton Woods. In the meantime, the study of my proposals commissioned by Commonwealth Finance Ministers is nearing completion. I see this study, and its much higher-powered summit counterpart, as part of the same medium-term task—initiating a process which is sufficiently divorced from the day-to-day concerns of governments—so as to prevent a sterile restatement of national positions—and yet avoid being diverted to those wonderful devices for inaction, groups of wise men.

What I am proposing here, therefore, is that there be set under-way a systematic process looking to significant changes and adjustments in the structure of trade, payments, development efforts and exchange rates. New and powerful linkages have been formed among these issues and between economies. Interdependence has leapt out of the textbooks and has arrived on ministers' desks everywhere. We need to find ways of managing that interdependence. I have proposed such an examination in a number of forums over the last nine months. I now renew that proposal with a strong sense of urgency.

II

We now have a reasonably clear idea of how the international community arrived at the present state of affairs. The sad chronology running from the collapse of the Bretton Woods system in the early 1970s, through the 1976 second amendment to the IMF's articles of agreement, through the two oil shocks, and the dogged persistence of unemployment and debt, has been well documented by others. Throughout this series of shocks and policy failures, some of us have been sustained by the dream that these have been aberrations. In the day-to-day preoccupation with managing these issues we have, I believe, failed to realize that the cumulative effect

has been to change the economic framework in which the world is operating. We cannot simply wish for a return to the certainty which delivered reliable growth for a generation. It is not a question of putting Humpty Dumpty together again—much of the wall is no longer there.

Those who have reflected on the implications of those events have divided roughly into two schools. There are those who see the recovery, the successful reschedulings and the recent decisions on Fund quotas and the General Arrangements to Borrow (GAB), as having essentially resolved the problem. The other group, in which I count myself, believe that some of our present problems are more fundamental, that we will have to dig deeper to lay the foundation for any sustained return to world prosperity, and that there are now problems with which our existing institutions are not well equipped to deal.

The first group, and I would say they are still in the ascendancy amongst developed countries, see events over the last three to six months as having once more proved the resilience of “the system.” The more responsible of them would not argue that we are out of the woods yet: the recovery is simply at too early a stage for that assessment. Some would go further and assert that there are likely to be some new and unhelpful shocks around the corner, particularly in the form of further financial crises. Any such shocks would, however, be dealt with on a case-by-case basis.

Of this view, one thing puzzles me. Does it reflect a conscious policy of inspired ad hocery for its own sake, or is it simply a reflection of their assessment of the difficulties of steering anything more systematic through a U.S. Congress in its current mood? Whatever the case may be, the priorities of this first group are very clear: consolidate the recovery, keep the banks chasing their own money in further rescheduling exercises, and steer the quota increase through the American political system.

The second group has something of an identity problem—as frequently occurs with those who see merit in the middle ground. It is not that they disagree with the above short-term agenda; on the contrary, success with this checklist is vital. It is just that this does not seem to go far enough. I subscribe to the view that a failure to grapple with some of the more important structural issues could choke off or at least constrain the recovery itself.

Advocates of the middle ground have a real problem in differentiating their views from the far more radical calls for restructuring the whole system—the viewpoint associated with “global negotiations” (a curious misnomer for talks that have not and are not

likely to get off the ground). I have experienced this at first hand on several occasions over the last 9 to 12 months since I began to call for a comprehensive examination of trade and payments. This was clearly apparent at the meeting of Commonwealth Finance Ministers in London last August. I was arguing for the Commonwealth to initiate a detailed study of trade and payments issues. If we appear to be inundated with such studies now, the idea was relatively novel at the time. Commonwealth Ministers will be receiving the report within the next few months. I am quite sure that a number of those who supported my views did so because it all sounded vaguely reminiscent of past debates in the developing countries' Group of 77. Those few who opposed me probably did so for exactly the same reason.

There is a series of dangerous international codewords operating in this field. To criticize Fund conditionality is immediately to be cast in the camp of those who do not believe in prudent domestic economic management. To point to shortcomings in the collective behavior of the banks is to risk being categorized as opposing private capital flows. Communications in the actual international marketplace may reflect the computer age in which we live. At international economic meetings we prefer to communicate by semaphore.

III

Underlying all this debate are differences of view about domestic economic policy and differences of view about international economic linkages. I shall put the former issue to one side for two reasons. First, it is an all too familiar subject for debate. Second, it appears to be an area from which it is difficult to derive acceptable generalizations of much greater use than emphasizing the importance of promoting non-inflationary growth. In any case, during my normal working day I can, if I choose, explore the full and rich diversity of views which exists within the small community of New Zealand economists.

It is the question of the international economic linkages that I wish to explore here. That is the area that deserves far greater attention than it has had in recent years. Of course the Organization for Economic Cooperation and Development (OECD) countries had to squeeze inflation and inflationary expectations out of their economies. If some major countries were not, for whatever reason, prepared to follow other majors down the rugged path of disinflation, then so be it. The system of floating exchange rates was supposed to reflect each country's particular policy choice.

However, having explored that terrain for two or three years, we are now coming up against the limits to domestic policy. There is a need to exercise care with one's choice of words here. The argument is not that the primacy of domestic economic management over recent years was misplaced. Indeed, if we are now in a position to concentrate on certain international issues—the possibility of more stable exchange rates is the best example—it is due in no small part to the hard-won gains of domestic policy. It is, nevertheless, becoming clearer that the task of building a widespread, durable recovery has an international dimension. This is why I believe that each country must now be encouraged to pursue its own adjustment path within a more coordinated international policy framework.

Dependence is a familiar enough concept for New Zealanders and most of our friends in the Pacific region. For years our economies have been profoundly influenced by, or dependent upon, external events over which we have only the most limited control. I used to think “interdependence” belonged to the misty language of diplomats and idealists. Now I know better: it is simply dependence that flows two ways. Someone could perform a great service if they could think of another word that better reflected the fact that interdependence has a real material base to it. One example quoted recently by Mr. Regan, the U.S. Secretary of the Treasury, demonstrates this point clearly enough. Mr. Regan observed that, by 1980, 29 percent of total U.S. exports went to less-developed countries (LDCs), and that in the case of one country alone, Mexico, debt problems caused a ten billion dollar annual-rate drop in U.S. exports between 1981 and 1982.

The examination of trade and payments that I am proposing could, without too much violence to reality, be described as a first attempt to work out how we might deal with interdependence. By following the rules of the old Bretton Woods system we have built a world economy. It is not surprising that the old rules are less than adequate to tell us how to deal with the consequences.

There is nothing particularly new about interdependence in terms of the underlying theory. We have known for years that there were linkages between, say, trade and finance, between economic growth and structural adjustment. The point is, however, that the practical significance of these linkages has increased to such an extent and with such rapidity that in terms of public policy it warrants being treated as a substantially new phenomenon.

Because of this, it is critically important to make every effort to get our management of it right from the start. In my experience,

there is nothing more important. Later on our thinking becomes ossified; we have created bureaucracies, interest groups and other inhibitions to change. What we then do, when the system jams and progress is painfully slow, is blame our politicians for failing to show "political courage." The political realist knows that once the broad parameters have been set, it is immeasurably more difficult for governments to alter them.

In New Zealand's case, for example, we somehow got our agricultural sector organized on the right footing from the start. The capacity of New Zealand agriculture to adjust to the harsh realities of the market has been a remarkable feature of our economic history. We did less well in industry. Our industry, based on policies of high protection over several decades, is only now emerging on a more competitive, export-oriented basis. New Zealand analysts tend to debate endlessly whether our forebears adopted a very sensible approach. It is rather reminiscent of a definition of historians I once came across—people who endlessly provide answers to questions nobody has asked them. A mere Prime Minister has to operate within the reality of the policies he inherits.

The lesson in all this is one of brutal simplicity: when you see something big developing, get it right from the start. That is how I see the present situation facing the trade and payments system in the light of the complex and rapidly evolving interdependent world economy. That is why I have advocated a comprehensive examination along the lines of the process that led to the Bretton Woods Conference.

Before analyzing the issues on which such an examination might focus, I should emphasize that I see this as a medium- to long-term exercise requiring the highest order of intellectual and political commitment. One objection that has been raised in past discussions is that this is not a time for reshuffling the deck. Rather, so the argument goes, this is a time when we should concentrate all our attention on the task of extricating ourselves from the immediate threat of further financial crises and a collapse in the incipient recovery. Some even say that any discussion of fundamentals would be a powerful force for uncertainty.

The case for concentrating on the immediate task at hand is a strong one, but I believe the conclusion drawn from it is fundamentally misplaced. It ignores the political point that now *is* the acceptable time to channel the political concern into a constructive debate. It passes quickly over the enormous uncertainty that exists about structural aspects of the present trade and payments situation. One only has to look at current U.S. interest rates to know that uncer-

tainty is more likely to arise from doubts about aspects of the real economy than any policy initiative aimed at the medium term. Finally, let us not forget that the British and U.S. governments launched that remarkable process of discussion and negotiation, led by John Maynard Keynes and Harry White, in 1942 when there were one or two other pressing matters of state to be dealt with.

IV

In the past, I have defined the task of such an examination in fairly general terms. There are dangers in being too specific at this stage, in attempting to attain a premature precision. The role of politicians is presumably to point to broad objectives, to channel concern in worthwhile directions and provide the framework for experts to take up the challenge of identifying technically sound and viable options to be fed back into the political process. If that sounds simplistic, the alternative—attempting to map out a complete blueprint at the outset—is, in my view, a gross conceit.

In very broad terms, the agenda practically writes itself. The concept of interdependence provides the theme. It is an interdependence of countries and regions and an interdependence of issues, such as economic growth, trade and debt. The basic objective is to find ways of giving greater coherence to our policy response to these complex linkages.

The enormous overhang of developing country debt and the threat of inadequate financial flows to facilitate orderly adjustment provide one convenient starting point.

I am not much reassured that the recovery will wash all these problems away. Obviously it will help, as will the Fund quota and GAB decisions. However, let us not deceive ourselves that the “rescheduling exercises” have solved all the basic difficulties built up over several years.

It is now reasonably clear that no sovereign government will be allowed to default in anything other than a technical sense unless it leaves the international community absolutely no possible alternative. The experience of Zaïre in the late 1970s, or Sudan more recently, suggests that if we are attempting to analyze the prospects for default we are looking to the outermost limits of political irresponsibility or collapse of the real economy.

If, then, our yardstick for measuring the gravity of the current debt problem is the chance of default, I suggest we are using the wrong yardstick. In today’s world there are other more complex manifestations of serious financial difficulties. For the banks—and the U.S. banks in particular—it possibly lies in the valuation of

their assets. At the moment the most exposed banks are, in effect, paying themselves their own profits. I am told that few banks doing this are too worried about this happy and profitable pastime, and that there would be no takers for any discounted bonds along the lines of various proposals currently under debate. Of course there is a rational basis to the apparently limitless possibilities of rescheduling: they are taking greater risk and greater exposure and thus attracting higher margins.

If, however, things do not turn out for the best—say the recovery turns out to be less robust than we all hope, or the recovery takes place against a backdrop of a continuation of very high real interest rates—do not discount the possibility of the banks quite quickly adopting a rather different collective stance. We can accept the argument that the “herd instinct” of bankers is fundamentally rational. That is not at issue. The point is that it could be quite rational for the banks to respond rather differently to a different set of circumstances. The attitude of smaller, contributory banks may well be relevant here. It may be as well, therefore, to consider the appropriate response of governments and various regulatory authorities in anticipation of such a possibility. If we do enter that sunny world where all turns out for the best, then we can quite happily scrap any such plans.

A good deal of this could latch on to work that is already underway. The BIS and the IMF are both working on projects to improve the information available to banks on aggregate lending to individual countries. The establishment of the International Institute of Finance by commercial and central banks should improve the analysis and dissemination of country data. I am normally skeptical in policy discussions of arguments that emphasize the need for better data. My experience has been that the improvement in decision-making derived from improved data is generally rather marginal. In this case, however, I have heard sufficient horror stories about the level of ignorance pertaining to individual country debt to encourage me to suspend my skepticism.

There is a tendency in recent analyses I have read to neglect the interests of the borrowing countries in all this. If banks get it wrong they refer to their inability to assess “the downside risks.” Again the comfortable neutralizing effect of the phrase obscures the reality behind the concept. In extreme cases, what are downside risks to a banker can represent social, economic and political chaos to a country, and consequent strategic problems to its allies. We cannot afford to ignore the linkages between maintaining an adequate flow of funds on reasonable terms, structural adjustment and

Fund conditionality. There is more to structural adjustment than bludgeoning imports.

The issue is not and never has been conditionality or no conditionality. Extremists on both sides of the fence have consistently obscured the real issues. One side, the self-proclaimed hard heads, has argued for even tougher conditionality than at present because they see the reluctance of borrowing countries to adjust. The other—we might loosely call them the radicals—thinks adjustment is a moral not an economic question, and that adjustment should be undertaken only by “rich” developed countries.

The hard heads overlook the fact that countries with the option of borrowing on private capital markets will do so precisely to avoid excessively harsh Fund conditionality. As numerous moderate critics of the Fund have now pointed out, the aim must be to involve the Fund at an earlier stage before the need for adjustment becomes acute and before the nervousness of the country’s private creditors is such as to propel the Fund into the unaccustomed role of lender of first resort, as is characteristic of many current rescheduling exercises. The radicals are equally wrong—and for much the same reason. A senior Fund official once put it to me this way: “What has the Fund got to offer except conditionality—money? Anyone can lend money.”

The point is well made. The Fund’s role is to promote adjustment that is consistent with its global responsibilities. The central fact in this debate is that the experience of recent years indicates the need for more appropriate adjustments to events than has occurred. That in turn implies inadequacies in the way the Fund—the world’s premier institution for adjustment, to borrow the description provided by the Brandt Commission—has operated or, at the very least, has been used by its clients.

The way in which developing countries pursue adjustment policies is of more than academic interest to developed countries. At the May 1982 OECD Ministerial Meeting, ministers were all encouraged to expect a so-called “technical” recovery—that is a recovery arising from the anticipated behavior of the stock cycle. In fact, the downturn in demand for OECD exports by non-OECD countries was sufficient to change what became an expected zero growth estimate for the OECD area as a whole into a decline of 0.5 percent for 1982. In such ways, the concept of interdependence acquires a concrete meaning. Structural adjustment must take a more sophisticated form than simply slashing imports. If, however, we leave no other option to developing countries facing massive cumulative current account deficits, we will be putting the strength of our own recovery

at risk.

There are now some well-established general propositions, which a fundamental examination of these issues would consider: stronger emphasis by the World Bank on structural adjustment lending is one. Close liaison between the adjustment programs of the Fund, which generally have a shorter-term horizon, and those of the Bank is another, along with strengthened cofinancing arrangements involving the private banks.

The fact is that the Fund was conceived primarily as an institution to overcome short-term cyclical balance-of-payments difficulties. The cumulative current account deficits which weigh down so many countries these days are structural, not cyclical, in nature. In many cases adjustment to these deficits must, therefore, be spread out over a longer period of time than is traditional for Fund programs. The major sources of lending for balance-of-payments difficulties—the Fund, the World Bank and the private banks—must work toward that common objective.

V

No examination of trade and payments could ignore the questions of “development.” Development has become almost an unrespectable word. Maybe it is because the more radical developing countries have used the catchcry of “development” to conceal a multitude of their own economic sins and political shortcomings.

We need to recognize some fundamental facts about development. First, the demands for development assistance will not go away. They may be accompanied by all kinds of shortcomings in domestic policy, but in more cases than not they also reflect pressing human needs, the like of which developed country politicians and officials can scarcely imagine. Second, it is no use telling the least developed countries to rely on private capital flows. Historically these are insignificant sources of finance for such countries. A recent OECD report points out that private market debt accounts for only six percent of the total debt of low income countries—and 21 percent of their debt servicing.

Development also raises the thorny question of its role in trade policy. The North has generally—and in my view correctly—tried to base the operations of the Fund and the General Agreement on Tariffs and Trade (GATT) on the economic concept of “efficiency” rather than “equity.” This is not, of course, an absolute position, as evidenced by the concept of “special and differentiated” treatment in the GATT—or, in less technical language, preferential treatment for developing countries. The concept of efficiency is

not in any sense an obstacle to the objective of development. On the contrary, an efficient trade and payments systems is essential for the development of LDCs. That said, official aid flows remain an unavoidable ingredient in the development process.

If the developed world wishes to preserve efficiency as the central feature of our trade and payments system, then it must also acknowledge that for a considerable number of countries development means the continuation of satisfactory aid flows in a quantitative and qualitative sense.¹

An examination of trade and payments would have to consider how to raise the level and quality of official development assistance. We have to accept that democratic parliaments in present circumstances are not going to vote substantially increased amounts for either bilateral aid or multilateral aid. One proposal designed to increase aid flows on a more automatic basis—the so-called SDR-link proposal, which would dispense new SDR issues on the basis of need—has been debated back and forth for years. If this particular proposal could not find favor, and I would be disappointed if that were so, then other alternatives that might put aid on a more realistic and dependable footing must be explored. The dependence on periodic replenishments of the International Development Association—the World Bank’s “soft-loan” subsidiary—is another issue that must be given serious consideration, since the current position means that IDA’s development efforts are being put in jeopardy by whatever political mood happens to prevail at the time of the replenishments.

VI

Nowhere is the reality of interdependence brought more sharply into focus than in the areas of debt and trade. There is no need to chronicle here the way in which trade is conducted more and more outside the GATT rules. By the modest standards of international cooperation, GATT must be regarded until recently as an outstanding success. It has substantially accomplished its major objective: removing tariffs on trade in most industrial goods. It has, however, not been capable of coming to terms with the growth of non-tariff

¹ If anyone doubts this, they should visit some of the small island developing countries in the South Pacific. Take, for example, the independent sovereign state of Tuvalu. It has a population of only 8,000 and consists of nine inhabited islands. Apart from coconut trees and fish it has no natural resources. I can see no practical alternative to maintaining a reasonable level of official development assistance to such island states. New Zealand’s aid program, which is so very small in absolute terms, but which is significant and highly effective amongst these countries, is one reason why I cannot accept the prevailing modern negative view of aid.

barriers. With respect to agriculture, New Zealand's experience has indicated that it has been a near total failure.

There is nothing inherent in the GATT concept—the negotiation of reciprocal concessions—that is deficient. GATT *could* be made to embrace agriculture, trade in services, and non-tariff barriers. The failure lies with the contracting parties to the GATT, which have not been prepared to use the institution, rather than with the institution itself. Its political mandate, in other words, is all but exhausted.

The enormous growth in world trade since the war—far faster than growth in world production—has been one of the key sources of economic dynamism. The fact that the volume of world trade actually declined by two percent last year should sound loud warning bells in all capitals. It cannot be restated too often that deficit countries can cope with the volume of debt that has been built up over recent years only if they can trade their way out of difficulties.

Given the linkages between trade and finance, there is now a need to move beyond the customary philosophical denunciation of protectionism: we need to tackle the underlying political and economic roots of creeping protectionism. This brings the analysis back to the linkages with macroeconomic policy coordination, structural adjustment and volatile exchange rates. Protectionism has gained ground not so much because people doubt the validity of the case for freer trade. On the contrary, we never miss the opportunity of reaffirming the dangers of protectionism every time governments meet to issue yet another communiqué. As I write this article I suspect I could quite easily draft the relevant paragraphs of the declaration or statement which will emerge from the next summit.

Protectionism has rather deeper roots. Until we recognize this and find alternative ways to manage the underlying forces that sustain protectionism, we will continue to see a widening gap between actions and words. The recovery *will* help to counter protectionist forces. Equally, however, unless we use whatever flexibility the recovery gives us to cut back protectionism, there will be a serious danger of the recovery itself being choked off or constrained.

I referred earlier to the now well-known phenomenon of the linkage between the structural adjustment path pursued by deficit countries (the newly industrializing countries in particular) and the OECD growth process. It is now abundantly clear that the large debtor countries face a contraction in the volume and hardening of the terms of private bank lending. If protectionism limits their opportunities for earning foreign exchange through exports of goods and services, then—given real lending constraints—the ad-

justment process will simply have to take the form of further cutbacks in imports. In economic terms, equilibrium will be reached at a lower level of world output and trade than would otherwise be necessary.

This implies a rather interesting shift in the political equation facing developed countries: they can attempt to save (or mitigate the decline in) jobs in industries sensitive to imports from developing countries *only* at the expense of jobs in their own export industries which depend on demand from non-OECD countries. In this context, behind the OECD-speak of “structural adjustment,” lies a simple proposition. If, say, you stop deeply indebted developing countries exporting more textiles in an attempt to preserve jobs in an ailing textile industry, then those developing countries have less foreign exchange than would otherwise be the case. Unless they or their creditors are prepared to see further growth in debt to compensate for that shortfall of foreign exchange—and that is most unlikely in present circumstances—then the only other means of covering the shortfall of foreign exchange is to restrict imports. Those imports may be your exports of, say, transport equipment. For the OECD as a whole, the choice can be put quite crudely: “Which jobs do you want to preserve—those in a less efficient import-substitution textile industry or those in an export-oriented transport equipment industry?” This is why debt is often referred to as deferred trade.

Frankly, I do not believe the recovery will be strong enough to allow a generalized attack on protectionism in all its many forms. We can certainly call for an all-out assault on protectionism, but nothing much will happen if we do. However, assuming that the recovery is consolidated and that this in turn gives a little more flexibility to move against protectionist measures, then I suggest there are two priority areas to utilize whatever degree of flexibility exists.

The first priority would be to develop a negotiating framework designed to lead to a reduction in barriers to trade in items and sectors of greatest export interest to developing countries. The political rationale is simple enough: it would be designed to encourage the developing countries to emphasize positive adjustment policies of export-led growth and thus avert the current bias toward contractionary, import-cutting adjustment measures. Such a trade strategy would be fully consistent with the OECD’s own macroeconomic requirements. It would contribute to greater confidence in financial markets. It would, I consider, be a classic example of the type of policy response required in an interdependent world.

The second priority area for trade liberalization, and one in which I openly declare New Zealand's strong self-interest, is the area of agricultural trade. This does not have an identifiably North-South dimension to it. Rather, it is a political and economic imperative in terms of relationships amongst developed countries. The tensions and contradictions implicit in the exclusion of agriculture from the normal disciplines of world trade have now reached a point where they threaten the very basis of political and trading relationships between developed countries.

Whether we are looking at a full-scale trade war between the United States and Europe over this issue or simply lesser variants of it such as a competitive bidding-up of subsidized agricultural trade in third markets, the consequences for the world trading system could be severe. I do not subscribe to the theory that out of the ashes of a war over export subsidies a brave and wiser new world would arise. The basic problem with trade retaliation, in whatever form it might take, is that it is impossible to control the end result. I should also add, though it is rather more than an afterthought in my calculations, that New Zealand's economy could be irreparably damaged in the process, given our disproportionate role in certain areas of world agricultural trade.

I am enough of a realist to appreciate that after all these years of agricultural protectionism, any progress in introducing greater discipline would be very slow. However the first step that is required is a commitment by the majors to remove some of the worst distortions in agricultural trade and domestic pricing practices.

If then the recovery permitted even the most modest anti-protectionist initiatives in these two priority areas, it would be a breakthrough indeed.

VII

Finally in my illustrative list of structural trade and payments issues deserving serious attention is the question of exchange rates. The limitations inherent in the current regime are now becoming quite apparent. An increasing number of commentators have come to recognize the linkages between volatile exchange rate movements and protectionism. We know too that with the collapse of the Bretton Woods system and the subsequent endorsement of a floating rate regime we also lost a means of imparting greater international discipline to the task of domestic economic management.

I do not think we are yet ready to embrace a new system of setting the major exchange rates. The intellectual swing away from floating rates is of quite recent origin. However, the fact that

inflation rates are now converging to a much lower level brings this within the realm of medium-term possibilities.

We cannot hope to return to the Bretton Woods system of fixed parities as it was. Its key linchpin—unchallenged U.S. economic hegemony—no longer exists. The objective is to arrive at comparable conditions of stability and discipline through economic policy coordination.

VIII

It is not easy to identify a way to approach a medium-term examination of all those issues. We are looking for a process that commits governments to it up to a point and yet preserves their freedom to negotiate at a much later point. The Bretton Woods analogy is pertinent. Here Keynes and White, backed by the resources of the British and U.S. treasuries, spent some two years arriving at a statement of principles which then formed the basis for negotiations not only between the United Kingdom and the United States but among some 40 other countries as well. Some four decades later, the agreement to a study by the summit countries which might in due course lead to an international monetary conference is not too dissimilar. This time, because economic and political power is more evenly distributed, we have seven, not two, treasuries, along with the resources of the International Monetary Fund, involved in the first step of defining the issues, establishing basic principles and thus preparing the groundwork for broader-based political consideration.

On a much more mundane level, we and the Australian government have just successfully completed the negotiation of a timetable and a schedule for removing all remaining barriers to trade between the two countries. The resultant agreement—known generally as the “CER” or Closer Economic Relations Agreement—came into effect on January 1 this year. The scale of this undertaking may be vastly different to the matter being discussed here. But its *modus operandi* is instructive. The then Australian Prime Minister, Mr. Fraser, and I, established a series of principles, an agenda for study and a clear statement of objectives. Politically, the governments were committed to a process of study and negotiation, yet uncommitted to any final decision. That way we avoided all the various interest groups adopting defensive positions which would have killed the initiative at the outset. By the end of the process most groups had long since worked out a way round their own particular problems, but consistent with the broad framework we had set out. The final negotiations between myself and the then Australian

Deputy Prime Minister, Doug Anthony, came down to a series of manageable issues.

The point here is that choosing a successful process was much more than half the battle. By the time we came to negotiate the hard bits, the fundamental political difficulties had more or less resolved themselves.

A comprehensive examination of trade and payments to take account of the facts of global interdependence is a daunting prospect. Ultimately the major actors would have to define a process of their own that would take account of their particular political concerns. Whatever form it might take, it would have to involve people of undisputed technical competence with ready access to the resources and opinions of their governments, to ensure that the development of ideas was within the bounds of political reality. The group would have to be of manageable size and reasonably representative of aggregates of economic and political power. To allow the process of study and negotiation to develop in a flexible way, it would have to find its own method of political engagement and disengagement.

The end result of such an examination need not directly concern us here. I believe, and have been saying so for close on a year, that ultimately a conference along the line of the Bretton Woods Conference would be required. I would see an examination of the type referred to above as essentially a preparatory phase to such a conference. That is very close to what the heads of government at Williamsburg agreed on. As at Bretton Woods, the conference would then be examining a joint statement of principles which would be reasonably acceptable to the countries that ultimately determine the limits of negotiation. No one would be bound to accept the conclusions of such a conference, not even the governments whose quasi-representatives might have developed the basic documentation and ideas for debate.

IX

Inevitably, such a conference would need to consider whether new institutional mechanisms are required. My strong belief is that they are.

Those who espouse new institutions are usually radical critics who seek the replacement of existing institutions by new bodies. That seems senseless to me. Whatever their inadequacies—and there are some serious inadequacies—we have built up competent and worthwhile institutions in the GATT, IMF, OECD, World Bank and BIS that we can ill afford to throw away in the naïve belief that

we can recast the entire pattern of international economic diplomacy. Let us keep what is worthwhile, change what is not and build on the structure as a whole. The critical institutional gap is the lack of any effective coordinating mechanism between the operations of these key international institutions and their clients—the officials and ministers in charge of central banks and treasuries. That institutional gap must be filled. This is why I have suggested an “Economic Security Council.” Its field would be international economic policy coordination.

We have all discovered interdependence with a vengeance, but we have little idea how to manage it. In fact the word “manage” may be inappropriate since it conjures up an image of intervention, controls and international rules. The management of interdependence may be better achieved in other ways. We are dealing with sovereign governments. I do not consider that we have anywhere near reached the point where governments will cede sovereignty in the area of economic policy by entering into contractual arrangements along the classic lines of the GATT. We need, therefore, a body with sufficient *political* weight, whose findings might influence, but not bind, the sovereign economic decisions of governments and help to achieve more effective coordination among the major international economic institutions—hence the codeword of an Economic Security Council.

Channels already exist, of course, for coordinating various aspects of international economic life. However, for one reason or another, they are incapable of performing the political function I have in mind: that is, promoting policy solutions in a way that takes adequate account of interdependence between issues such as protectionism and exchange rate policies, between institutions such as the IMF and the BIS, and between the economies of nations.

To have real influence in these areas requires a body of the highest political profile. That characteristic is singularly lacking in existing coordinating mechanisms such as the development committee of the Fund and the World Bank or the committee used by OECD treasury officials to discuss macroeconomic issues—“Working Party Three.” They do a fine job to be sure. It would be a true test of the political significance of their deliberations if a single minister of finance could point to any decisions he had made in which the pronouncements of this working party had been an important factor. Much the same thing could be said of the IMF’s “Interim Committee.” As a politician I am a firm believer in the significance of body language. A body with such a delightfully compromised name as the “Interim Committee” could not possibly command

sufficient influence over policy. Yet such influence is precisely what is required.

I would not wish to try to impart a premature degree of precision to what is at this stage only a concept. It may be useful, however, to indicate one or two of the possible elements of an Economic Security Council.

First, while the analogy to the United Nations may be risky given current cynical attitudes to that institution, the choice of words is deliberate. As with the Security Council, it would need to reflect the realities of global economic and political power. Coming from a small country, it would be nice to imagine a different world. Yet there is an enduring reality to the proposition that he who ultimately bankrolls the system should have a major say in how the system works.

Having said that, it would need to devise a means of representing smaller countries so as to reflect world opinion. Economic policy U-turns over the last ten years indicate that those who hold a monopoly on power do not hold a monopoly on truth. If we are living in an interdependent world, there is no choice but to recognize the stake all nations have in affairs. That is why the existing forums of OECD, and all those mystical groups of five, groups of ten, and so forth, cannot command the requisite degree of authority. In plain terms, interdependence means asking all governments to modify their behavior to take account of the effects of their policies on others. That is a difficult proposition for politicians in any political system. It is a little easier if it can be said: "This is what has been agreed by the world community. Now, are we in or are we out?" I do not expect miracles from this process—just a marginal improvement in coordination would do. We might even get the taste for it over time.

It might be sensible to base such an Economic Security Council in the Fund. There is in fact provision for setting up a council of sorts in the 1976 second amendment of the articles of agreement. As an institution, the Fund has near universal membership and enjoys greater confidence than a number of obvious alternatives.

Clearly, this can be approached in numerous ways. I believe, however, that the call for a coordinating institution with the political weight to influence the behavior of nations and institutions is overwhelming. The debt crisis has cast the requirements of interdependence into sharp relief. It no longer makes sense for trade ministers and officials of GATT to solemnly pledge themselves to resist protectionism when the forces that have caused a wave of new protectionism lie outside the ambit of their responsibilities. I am well aware that thinking inside the current U.S. Administration

is moving in this direction. I would hope they have the courage to extend their vision a little more. Such a far-reaching proposal would take a long time to work out. It could be an integral part of the comprehensive examination of the international trade and payments system I propose. The problems are not new. The failure to agree at Havana in 1948 on the formation of an International Trade Organization is testimony to that. The only difference now is that the need for greater coherence in our approach to these interdependent issues is so much more pronounced.

X

I referred previously to some advantage I enjoy in being the Minister of Finance and Prime Minister of a small country. It is possible for me to put forward these ideas for discussion without causing too many difficulties at international meetings for my officials, whose welfare is always uppermost in my considerations. Imagine the ramifications if a leader of a major financial power proposed such ideas. He and his officials would have to spend the next six months explaining them away.

Nonetheless, the problems I have analyzed have still to be faced by the major countries. In searching for the answers, the United States has the major role. It also has a major opportunity.

In everyone's haste to criticize the United States for this or that failing in past economic management, we should not overlook the fact that the United States has now accomplished two necessary conditions for an overall improvement in all our economic prospects. First, and with considerable pain to the American people, they have brought their rate of inflation right down. Second, the Administration has steered the economy toward a recovery. To assert that these accomplishments are not sufficient for global recovery is not to understate their importance.

For over 30 years, since we and Australia established the ANZUS alliance with the United States, New Zealanders have looked across the Pacific for political leadership. It has not always been an obvious feature of American policy over that long period, but no other country can come close to matching the American record.

When the pressure of economic events, some of which were admittedly directly attributable to American policy miscalculations, forced the U.S. government to close the gold window in 1971, thereby effectively ending the Bretton Woods system, the world entered a period of profound economic and political instability. As I look at the events of the last decade in terms of the framework for international economic relations, the dominant picture that

comes to mind is the United States on the back foot—reacting to events rather than providing its traditional leadership. Because of its commitment to a trade and payments system that rewards efficiency, the United States has devoted its energies to opposing either sophisticated protectionism from its otherwise close allies, or grandiose calls for global negotiations.

I see the present period as an opportunity for the United States to get off the defensive, reassert its political leadership and attempt to construct a framework for international economic debate that might lead to a strengthened liberal trade and payments system. The first requirement is for the United States to convince itself that a framework for coping with this interdependent world that has arrived on our doorstep is actually required.

We can wait. We have already waited for two years for the United States to put its own house in order. What people rather unkindly refer to as the “United States’ discovery of the outside world” is of very recent origin. We cannot wait too long, however: otherwise the opportunity for channelling the pervasive political concern into a constructive direction will be dissipated.

There can be no question of returning to the old Bretton Woods system. In the past, the U.S. economy was, in effect, the only game in town. Now the U.S. economy is closer to what could be described as *primus inter pares*. The challenge is to construct a framework for international economic relations that can accommodate not only several large and more equal players but is also sufficiently flexible to accommodate new aggregates of power as they emerge.

This has a political as well as an economic dimension. The last time a change in the economic and political aggregates occurred—when one or two OPEC countries suddenly acquired sufficient economic power to influence the course of the game—the system did not cope well except in the sense of funneling money around the globe. The real issue of the interdependence between oil producers and oil consumers was bypassed. We, and they, are still paying a heavy price for it.

An examination of trade and payments, with the aim of establishing a more coherent approach to the problems posed by interdependence, could divert international economic discussion away from the ill-conceived ideas that have dominated debate over the last decade. The agreement reached at the Williamsburg Summit, under the chairmanship of President Reagan, to undertake an examination of the international monetary system, provides an opening for American political leadership if its current leaders choose once more to exercise the United States’ traditional role.

*William H. Bolin
and Jorge Del Canto*

LDC DEBT: BEYOND CRISIS MANAGEMENT

Over the past year, the problem of the debt of less-developed countries has been of intense concern not only to the private banks which hold most of that debt, but to the governments of the LDCs and of the creditor countries and to the multilateral institutions that have had to play a major part in a well-coordinated initial set of measures to stem the problem and bring it gradually under control. These efforts remain of the utmost importance for the continuation of a worldwide economic recovery and for the stability and progress of the LDCs themselves.

This article focuses on the longer-term aspects of the problem. Its thesis is simple. It is that the real problem regarding LDC debt, in the long or even medium term, is the source of future credit for their imports of capital goods. In the absence of increased public money, new mechanisms are needed to assure access to private funds. There is an urgent need for a system which would have practical political appeal, and we believe that such a system should seek to mobilize support from the export sectors of the industrial countries through joint financing by the national export credit organizations, private commercial banks, and the World Bank.

In exploring the need for such a system, and its possibilities and potential difficulties, we shall briefly look first at the present situation and the measures now underway, then at the needs of the LDCs and the potential sources of future credit, and finally at what a joint financing mechanism might look like. Its aim would be to tap private funds on a new basis that would effectively meet the needs of the LDCs, especially for imports of capital goods, and thus contribute greatly to their resumed growth and to the welfare of both industrialized and developing countries.

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II

The use of private bank funds by the more advanced LDCs has been going on since World War II and began to be an important component of their external financing in the late 1960s. Such credit has been intrinsic to their rapid economic growth and their demand for exports from the industrialized world. Over these years various countries have encountered and have overcome numerous liquidity problems—some of them very alarming. However, the sudden rush of Mexican capital out of that neighboring country immensely dramatized the speed with which prolonged recession, combined with unrealistic economic policies, could produce difficulties even for a country with an excellent payment record. Those events in Mexico, followed by the experiences of several other major borrowers, understandably have attracted widespread attention. All eyes have been focused on the commercial banks' portfolios of debt and the accumulation of current maturities.

One aspect of concentrated attention on maturing debt in 1982 and 1983 has been rapid effective cooperation among commercial banks, governments, the International Monetary Fund (IMF) and the borrowing countries themselves to confront the problem. Their cash advances and rescheduling arrangements have prevented a collapse of confidence in the world financial system. The arrangements have required greater discipline and more rapid adjustment by borrowers. They also have allowed the borrowing countries to continue importation from the industrialized world, although at a lower rate.

All of the parties to those arrangements have recognized that we have been passing through the longest period of recession since World War II, with its drastic impact on commodity prices, volume of trade, and interest rates. Both borrowers and lenders had expected continuing inflation. All of them realize, also, that credit to developing countries is indispensable for world economic recovery and growth.

Outside that circle of direct participants there has been considerable creative thought aimed at the rescue of LDC borrowers and their lenders from the problems of the present portfolio. The tendency of these analyses has been to take a "snapshot" of today's problem and devise a sweeping "now" solution. In fact, the present situation needs to be viewed as one frame in a moving scenario that began decades ago and will extend even farther into the future.

The principal LDC borrowers from private banks are the semi-developed countries which, by their nature, must be continuous

and growing importers of capital and credit. No nation has yet moved from “underdeveloped” to “industrialized” without steadily increasing flows of credit, even when following enlightened policies to stimulate local capital formation and attract foreign direct investment. To be “developing” is to be in debt. Semi-developed countries are structural capital importers whose productivity in the use of capital is high. The more natural and human resources such a country has, the more it needs to borrow to make use of them.

Each year since World War II, these countries have produced and exported more and more raw materials as the industrial world’s supplies have fallen short of demand. In the process, the developing countries have diversified their exports and trade flows. Each year they have purchased more and more capital goods and materials manufactured in the developed world, coming to account for between 25 percent and 40 percent of the export-oriented employment of the United States, Canada, Europe and Japan. U.S. trade with LDCs has grown the most of all.

Each year, also, the major LDCs have borrowed more and more abroad. Until the past three years of recession, borrowing paralleled the growth of their GDP (gross domestic product) and trade. If they are to continue as suppliers of needed goods for the industrialized world and remain vital expanding markets for the latter’s industries, they will require credit each year in the future.

Meanwhile, over the past decade, an increasing number of countries have adopted more outward-looking policies: reducing tariffs and payment restrictions, liberalizing financial systems, and allowing realistic interest rates. The growth of the local private sector and use of foreign private credit have been part of that liberalization.

III

In this moving panorama, the present portfolio is not where we most need to focus regarding *new* mechanisms. Proposals such as asset recycling or discount of private bank loans to LDCs are not pointed at the real problem. The fundamental question is where the new money will come from in the future.

Loan portfolios of major commercial banks have been built up over years of complex client relationships and involve a great variety of public and private borrowers in each country. Apart from the transfer risk—the lack of availability of dollars—these loans represent a wide array of commercial credit risk. They are being rescheduled case by case in the only way that is practical or feasible. One by one, the countries are concluding arrangements in which

the IMF and commercial banks are advancing new funds, and banks are extending all or part of loan maturities falling due in the 1982–84 period of greatest stress. In each case, the rescheduled loans and new advances are arranged in response to programs of the borrowing governments worked out with the IMF to adapt exchange rate policies to present realities, hold down current expenditures, increase revenues, and expand domestic savings, so as to meet future payments of principal and interest.

The probability of success in managing the present portfolios through the recession in this way is high. The basic reason is that the fundamental productivity of the principal borrowers continues intact. Many developing countries—like industrial nations—have structural problems in their economies. Some have invested in uneconomic import substitution, and some have allowed agricultural development to lag behind industry. However, we are not dealing with economic machines that have broken down. Ninety percent of LDC debt to U.S. banks is owed by 15 countries. The basic economic sectors, although under strain, are functioning productively in all of them.

These countries all have distinct strengths and weaknesses. The refinancing of their debts therefore has to be tailored very specifically.

The rescheduling as such, of course, does not solve all of the problems of LDC debt. The time borrowed by stretching out maturities must be followed by continuous application of sound policies with due attention to structural weaknesses. There must also be a background of reasonable economic growth in the industrialized countries.

The money borrowed has been used mainly to buy or create something. Local and foreign funds gathered since World War II by the semi-developed countries have been employed primarily to increase production. Much of that new production is only now coming on stream and will add steadily to future repayment capacity. Internally generated savings for LDCs accounted for roughly 18 percent of their GDP in early 1960 and increased to over 25 percent of GDP by 1980.¹ As a group, developing countries have devoted a greater proportion of their cash flows to the investment sector than have industrialized countries. Real domestic investment among LDCs increased by 8.1 percent annually over the past 20 years compared to about 4.4 percent for industrialized economies.² Until the recession, debt grew at essentially the same pace as production and

¹ *World Bank Annual Report*, 1982.

² *Ibid.*

exports.³ When debt of the 15 major borrowing nations is compared to their growing economies and international trade, it may be questioned whether many countries in fact overborrowed up to the period of the recession. Furthermore, the main increase in debt took place in a decade of high world inflation and frequently negative interest rates. The same capital goods imported today would require even more debt.

The current problem is not the ability to produce. The problem is that assets were acquired with debt having maturity schedules based on expected income which has not come on stream as planned, primarily due to a sudden change of the industrialized world from inflationary boom to deflationary recession. In some countries the problem has been made worse by incorrect fiscal, monetary, and foreign exchange policies, with resulting disintegration of public confidence and discouragement of exports. The countries are not helpless before present events. They can change unrealistic policies, and most of them are doing so rapidly. It is increasingly recognized by the economic authorities of the countries that realistic policies work for their own eventual political benefit, as well as improving credit-worthiness.

The process of rearranging the debt maturities of a basically productive borrower, to allow time for policy changes to improve cash flow, is not "postponing the problem." This is a standard solution used every day by banks in both domestic and international lending, for large and small borrowers. The very creation of the IMF was an expression of worldwide judgment that such liquidity problems do indeed exist from time to time—and have solutions to which the government concerned can contribute significantly by better economic management.⁴

This patient case-by-case approach, negotiated by the people with the most intimate knowledge of the practical possibilities and political complexities, is indeed working. Banks have no illusions about these reschedulings. Further adjustments may well have to be made

³ Robert Solomon of the Brookings Institution, in an address to the fourth annual convention of the Panamanian Bankers Association, March 16–18, 1983, noted that despite domestic policy weaknesses, the major borrowers had a remarkable record of real economic growth. In the decade of the 1970s, South Korea's GDP and exports grew at average annual rates of ten percent and 25 percent respectively. The annual growth of Brazil was 8.7 percent, with a nine percent increase of exports. Mexico's GDP increased at an average annual rate of 6.5 percent. Chile grew at 7.8 percent annually during 1976–80, with the share of exports to GDP doubling. Argentina's exports increased at an annual rate of 11.9 percent during the second half of the 1970s.

⁴ Since its establishment in 1946, the IMF has carried out over 562 such programs. At the end of April 1983 it had in place 39 Standby or Extended Fund Facility (EFF) arrangements for the gross total of SDR 25.2 billion; 15 with Western Hemisphere countries and 24 with others. From January 1978 through January 1983, 23 orderly private refinancing or debt restructuring agreements have been completed with IMF consultation.

later in some of the programs. The rescheduling arrangements after all are based on government commitments to policies, the results of which cannot be projected precisely in numbers. Also, expectations of exports may evolve differently. IMF-guided reschedulings are usually designed to be at the very outer edge of the country's economic and political capacity. If they later need adjustment to changed conditions—and the productive machine is still operating adequately with the sound policies—such “re-reschedulings” are not significantly different from the original exercises. Neither are they intrinsically less sound than “new” credits made to the countries five years from now—or the ones made and repaid five years before the present recession. In respect to transfer risk, it is the amount of service on principal and interest of total outstanding debt in relation to total foreign exchange earnings that matters—not the specific loan to which repayments pertain. Overall, the countries by their nature will build debt until they themselves become capital exporters. With all its resources, it took the United States well over a century to become a source of surplus savings for the capital-short parts of the world.

IV

Sweeping solutions which would remove the present portfolio from the hands of the original lenders certainly cannot be relied upon to produce new lending from the banks so “assisted.” How many boards of directors would be responsive to programs of new loans for borrowers whose existing loans—and potentially, future loans—were subject to arbitrary judgments requiring write-off? Neither lenders nor borrowers are seeking such a one-way ride to nowhere in order to handle the present portfolio.

Governments of the industrialized countries will need to continue their important role. The U.S. Federal Reserve and the Bank for International Settlements (BIS) have been acting very decisively in the present difficulties and should continue to do so as needed. Central banks of the industrialized countries need to organize better all aspects of the international safety net, to meet unpredictable emergencies. They should continue to give quick, effective assistance to any specific banks suffering from faltering public confidence, as they do in situations of purely domestic origin.

However, the political realities in the United States and other countries constrain the direct role of governments in meeting the long-term credit needs of LDCs. There is not a very clear public memory of the late 1920s and early 1930s, when shrinking trade combined with financial crisis led to a major depression. Accord-

ingly, there has been little public discussion of the really central problem. What, in fact, will be the source of new financing for LDCs to import capital goods in the future?

V

A quick survey of the practical possibilities for increased flows of funds from the existing channels is not encouraging.

The present austerity programs of these borrowers certainly will reduce demand for new credit drastically for the next few years. Beyond that, it can be hoped that lower fiscal deficits and more realistic domestic interest rates and tax policies will improve internal savings and capital formation. One wonders how much more the countries can be expected to accomplish in this respect, bearing in mind how high their savings and investment rates have been compared with the rest of the world. Middle income LDC domestic savings reached the equivalent of 24.5 percent of GDP in 1980.⁵ Let's assume very optimistically an improvement to 25.5 percent in that rate by the 15 principal LDC borrowers, which would produce \$11 billion per year.⁶ These domestic currency funds would partially substitute for foreign currency borrowings.

We need to note that the semi-developed or "newly industrialized" countries, which are the large borrowers from private banks, by definition are building more capital-intensive economies. They have growing needs for machinery and equipment, technology, infrastructure and public utilities for a rapidly urbanizing society. This element can be expected to utilize a large part of the improved domestic savings.

More realistic policies regarding foreign direct investment can assist to an important degree (and bring improved technology and management). However, in the wake of prolonged inflation and lagging domestic investment in the United States and much of Western Europe, foreign investment will come to the LDCs only very selectively and with expectations of relatively high returns. The most optimistic estimate of private direct investment would be \$10 billion more per year⁷ over the next five years—a straight projection of the past five years' experience.

The World Bank and the regional development banks would be the most logical sources of increased credit. Their long-term money is the kind best suited to a world of slower economic growth and numerous long-term structural adjustments. It is in the very best interest of the industrialized nations to increase substantially the

⁵ Derived from *World Development Report 1982* of the World Bank.

⁶ *Ibid.*

⁷ *OECD Economic Outlook*, Paris: Organization for Economic Cooperation and Development, December 1982.

funding of the World Bank and most of its regional counterparts. Unfortunately, the public of the United States is very far from an adequate recognition of the implications of continued LDC growth for its well-being. Few voters understand what it means to them, in terms of employment opportunities, that 40 percent of U.S. exports go to LDCs.⁸ Still fewer understand that exports to LDCs will continue only if there are future flows of credit to the importing nations.

In terms of net new flows to all LDCs, in 1981 the World Bank added \$3.8 billion, other multilateral agencies \$5.1 billion and bilateral flows \$10.7 billion. An optimistic view of member government support for the World Bank (in the light of the current controversy concerning the IMF quota) would put increased World Bank net lending at \$5 billion more per year. One can add \$6 billion for the regional institutions and \$14 billion for bilateral credits and aid, based on straight-line projections of the past ten years. This adds up to \$25 billion per year in new flows of credit or grants. However, in recent years a large share of all such loans and grants have gone to countries other than the 15 nations which are the largest borrowers from the private commercial banks. Those large semi-developed borrowers, which have been the cause of recent concern, are not likely to receive more than \$7 billion per year from all official institutions without significant changes in lending policies by these organizations.

Latest estimates of the net borrowing of the 15 largest borrowers, reflected in national development plans and current adjustment programs (and taking into account their maximum efforts to increase domestic savings), show their requirements to be in the neighborhood of \$50 billion per annum.⁹ How will the need compare with resources? After deducting \$10 billion of direct investment and \$7 billion from public funds (World Bank, bilateral aid, etc.) this probably leaves a minimum gap of \$33 billion annually.

VI

Such a gap between economic need and the funds from aid programs and multilateral development banks grew throughout all of the 1970s. It was filled by the commercial banks' lending of Eurodollars. Such private lending to LDCs increased at an annual rate of 32.5 percent from 1972 through 1981 in current dollar terms, averaging \$29 billion per year. In 1972, according to World Bank estimates, financial-market outstanding credit to LDCs

⁸ Overseas Development Council, *U.S. Foreign Policy and the Third World Agenda* 1983.

⁹ Bank of America estimates, May 1983.

amounted to only \$36.7 billion. The total rose to \$273.4 billion by late 1981. This latter amount accounted for an estimated 60 percent of total LDC outstanding foreign debt in that year.

It appears probable that the principal private banks in international lending—some 60 multinational private institutions and a few hundred regional and secondary banks—will indeed continue lending to LDCs. This is not because they are permanent captives of the borrowers, any more than they have been captives of Chrysler Corporation or New York City. It is because the semi-developed countries represent the most dynamic part of the world economy; they have become indispensable sources of raw materials, and vital markets, for the industrialized countries. There will continue to be demands for credit generated by the banks' corporate clients, who rely increasingly on the developing world for their prosperity. In an atmosphere of even modest world growth, loans to the governments of rationally managed industrializing nations should compare reasonably with other credit opportunities.

However, the rate of increase of such lending is likely to be less than in the 1970s. Banks may be discouraged by their governments from continuing their participation. Continual dramatization of the problems of LDCs might affect confidence of investors and thus indirectly reduce the capacity of the banks. Barring these potential impediments, the major banks will remain in the business because they will find it to be sound. However, it would be unrealistic to expect that they will continue to fill a steadily increasing portion of the requirements, as in the past.

Let us assume that the major private banks do increase their lending at a rate equal to the rate of increase of their capital funds. Ninety-four percent of all bank lending to LDCs is conducted by the largest 60 banks. If capital funds of these banks grow in the next five years at a rate equal to expected inflation, this would supply \$28 billion of new credit each year to the 15 major borrowers. Assume, for the sake of simplicity, that the small regional U.S. banks and the secondary banks of Europe, Japan and the Middle East on average maintain their present absolute levels of outstanding credit. Add the \$28 billion of commercial bank contributions to the previously mentioned sources to give total new available funds of \$45 billion annually. Subtract that total from the estimated requirements of \$50 billion and there is still a shortfall of \$5 billion per year.

Net IMF financing has increased rapidly from \$1.2 billion in 1980 to \$5.6 billion in 1981 and \$6.3 billion in 1982; it is further expected to increase to \$13.5 billion in 1983. However, it is not

included in the flows estimated above, because such financing is strictly to provide temporary relief to tight liquidity positions, eliminate payments arrears or build up minimum reserves and not for development financing.

These are all estimates, of course, and in general they reflect an optimistic view of the amounts that will be in fact available from various sources of finance. All are based on expectations of moderate economic growth in the industrialized countries. They assume no new major obstacles to restrict international trade expansion or restraints imposed by regulatory authorities that reduce commercial bank lending. However one adds it up, there is still an unfilled need of significant magnitude.

VII

It would appear that one of three things must happen. If nothing new is done, the developing countries will meet their debt servicing obligations. However, they will lag further in their growth and become a brake holding back the prosperity of the rest of the world.

Alternatively, existing multilateral and government financial institutions can be strengthened with public funds to expand their activities and return their contribution to its previous relative importance.

The final possibility is that new mechanisms or channels of finance may be created to utilize private savings. This paper examines briefly some potential mechanisms to meet future LDC financing needs, primarily with private monies, using taxpayers' funds on a small enough scale to be politically feasible in the next few years.

Each of the two principal sources of LDC credit today—multilateral institutions and the private banks—have some strengths and some limitations regarding LDC lending. The private banks have flexible, quick, efficient access to the largest pool of internationally mobile funds in the world today—the Eurodollar market. As the product of years of inflation, most of the money is available only with the interest rate fixed every few months. The total amount and ownership of such floating-rate funds shift continuously, but there is a core amount which is quite stable as to its availability—at a price—and the private banks know how to obtain it, wherever it may be, on the best possible terms.

Lending to the 15 major LDC borrowers represents only about 10–15 percent of the assets of major banks. Their other activities as depositories of short-term funds and as domestic lenders place definite limits on the proportion of banks' portfolios that can be committed to LDC loans at long term. Also, while commercial banks

have a superior capacity to evaluate medium-term lending for productive enterprises, they have less capacity to analyze the final shape of a country's development program, long-term public policies or overall natural resources.

The World Bank group has these latter capabilities. (So do various regional and government institutions in varying degrees.) The World Bank also has the strength of substantial stable fixed-rate funds, from its capital and from its long-term bonds. These funds are indispensable for loans of 15 years or more. Because of legal and policy restrictions, the World Bank currently does not mobilize floating-rate funds in a major way out of the Eurodollar markets—the only international private source of money available on the scale needed.

New solutions should attempt to make use of the strengths of each of the principal lenders. Ideally, World Bank long-term money should be conserved for the long-term maturities. Lending capacity of the private banks should be used primarily for the shorter-term financing to match their liquidity considerations and their best expertise.

One idea which has been under discussion for the past two years has been to increase the leverage of the World Bank. World Bank lending presently is restricted to funds from its own capital, paid in by the member governments, plus proceeds of its medium- and long-term bonds placed in capital markets. These are issued to the extent of unpaid but callable capital. Under this system the World Bank borrows and lends an amount roughly equal to its paid-in and callable capital—a gearing of one to one.

There have been proposals to increase this gearing in the World Bank itself. This is a very useful approach and should be studied actively. It may have the disadvantage of impact on one of the Bank's principal strengths—its ability to place its long-term bonds in the market on nearly the same terms as the U.S. government.

A variation of this idea would be to form a subsidiary of the World Bank which would be more highly leveraged and would borrow directly from the Eurodollar market to raise floating-rate funds, with which to carry the early maturities of long-term programs. This would also seem to be worthy of study and presumably has been receiving it. In the end, most bond specialists would expect some impact on terms of the World Bank's long-term borrowing under any such solution. It would be a trade-off, but probably a good one. In any event, there appears to be resistance to the concept and it has not moved forward so far.

Another theoretical avenue for using private Eurodollar funds

on a larger scale without drawing commercial banks beyond prudent levels would be a scheme of guarantees or insurance against country risk. Several versions of this idea have been under discussion for some time. Expanded public "country risk" insurance is worthy of analysis—as is the possibility of government cooperation and support for private insurance and reinsurance schemes.

VIII

In general, such proposals so far have lacked political appeal, because of the level of understanding in the United States and elsewhere about the general public good to be derived from them.

The question arises, therefore, as to what sectors of the major industrial countries would be most likely to understand and support a program for increased lending to LDCs. It seems probable that these would be the exporters of capital goods. Stagnation in the semi-developed countries spells sharply reduced imports of machinery, equipment and technology from manufacturers in the United States, Canada, Europe and Japan. Recent drastic reductions in Mexican imports have brought this point home in the United States.

In each of the industrialized countries there is an entity (such as the U.S. Export-Import Bank) specifically created to maintain and increase exports by various credit techniques. Is it possible to imagine a new organization closely allied with the World Bank, but legally separate from it, which would be backed by the export credit entities of the principal industrialized countries? Such a new organization could be leveraged more highly than the World Bank. It could also be housed with the World Bank and, for a fee, have access to its analyses and loan judgments, as well as its accounting and other support services. The world doesn't need another public or private bureaucracy to increase loan activity—just a different balance sheet. Even the board of directors of the new entity could be made up of the same individuals who represent those countries on the World Bank Board of Governors—or they could be the Executive Directors from those countries.

What would such an "Export Development Fund" do? It would make loans beyond the optimum maturities for private banks (seven to eight years) and less than the 15-year or longer maturities that make best use of World Bank monies. The new organization would obtain its loanable funds by placing its own floating-rate 8-to-14 year notes with investors in the Eurodollar market. Initially, such notes might be taken up by the private commercial banks participating in the early maturity loans.

Such direct obligations of a multinational entity owned by public

authorities of major industrialized countries, holding a diversified portfolio of World Bank-approved loans, clearly would represent a different level of risk than individual loans to specific countries. Over time, a secondary market might be created for such obligations so as to provide them with some degree of liquidity. Initially, it may be necessary for the export credit organizations or some multilateral institution to stand ready to repurchase the notes under specific circumstances, until the new loan portfolio is built up and a "track record" established.

New lending to LDCs for imports of capital goods would combine the forces of the various institutions. In a given large project or program, up to 20-year financing would be arranged, with commercial banks taking the early (one-to-seven year) maturities, the World Bank taking the later (15–20 year) maturities, and the new entity carrying those in the middle. All of the loans would have been evaluated by the World Bank and the private banks. Loans to a given borrower would be linked together by cross-default clauses, or would simply constitute separate "tranches" of one loan.

Apart from adding more private money to the total supply, such a scheme would also provide, on average, longer-term credit. This will be important in a future of basic economic adjustments and slower average growth. The concentration of private bank financing on the earlier maturities of long-term loans will make it possible for commercial banks to keep short-term trade credit growing with trade.

Obviously, a formidable series of obstacles would stand in the way of such a program, but there might be a shorter list of roadblocks for this device compared with others. The central political appeal is that the new financing would be related to the exports of the industrial countries in a visible manner.

Many aspects obviously need study. Would each national export credit organization be able to take a broad cooperative view of the interests of its exporters and modify charters or policies to invest in a joint effort? Could these organizations promote financing which would not be directly and immediately linked dollar-for-dollar to exports from their own countries? Would the World Bank be able to carry out the role described without diluting its present effectiveness?

Could a market be created for the new floating-rate notes and how? There is a market of uncertain size now for medium-term floating-rate notes of major corporations in the Eurodollar market.

Could notes of the new entity be placed at rates which, when reloaned, would not exceed the cost of the only available alterna-

tive—private bank floating-rate loans? Do the various export credit organizations have the legal capacity to invest (by equity shares or by subordinated debt or by “callable” obligations) in such an organization? Could they acquire that authority where it doesn’t exist?

There can be a question as to whether the borrowing countries could soundly take on longer floating-rate obligations, in view of the difficulty of predicting cash flows far into the future. They are currently doing so, in general, for loans of ten years. One approach to this problem would be to have the World Bank absorb some interest costs when rates rise above certain ranges, being repaid when they fall below, with any final difference added to or subtracted from its own long-term fixed-rate loan, at the end of the financing. This concept is embodied in a recently announced program for expanding co-financing between the World Bank and commercial banks.

Answers to these questions should be pursued. The present comments are intended primarily as catalysts to begin discussion and to focus thinking beyond the present “crisis management.” Clearly, something new is needed soon to provide the continued growth of credit to LDCs which will be vital over the years ahead to promote world trade and sustain world recovery.

*John Zysman
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**DOUBLE OR NOTHING:
OPEN TRADE AND
COMPETITIVE INDUSTRY**

Trade disputes have moved from the business page to the front page. No longer can they be considered ordinary commercial frictions to be dealt with in a routine way through existing institutions and within agreed rules. Nor are they simply the unhappy consequences of an international economic decline that will melt away with the first burst of economic resurgence.

It is becoming obvious that a basic long-term conflict over national economic position and advantage underlies many of the present trade troubles. In the narrowest sense it is a question of which countries will create substantial commercial advantage in the growth industries of the future, which countries will be able to defend employment in today's mainline industries during that transition, and which countries will move up to substantial roles in traditional sectors. More broadly, the very international rules determining the appropriate roles for government in national and international economic life are being challenged and the premises of multilateral trade arrangements are being questioned by a series of state-centered industrial development and trade strategies.

Trade conflicts are already generating tensions that directly affect political relations between America and its allies, and among the allies. The open trade system—free exchange of goods among countries—has been a part of the foundation of America's international leadership. Sustaining an open trade system in the years since the Second World War required that the American economy be able to absorb—without substantial domestic political dislocation—the impact of foreign strategies for adjustment and develop-

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ment. The system-supporting role presupposed a preeminence of the American economy that meant we could absorb imports and foreigners would hold dollars. It rested ultimately on the competitive position of American producers in a wide range of manufacturing sectors. As foreign producers have established themselves as substantial rivals, they have—by the very dint of their success—weakened the willingness and the ability of American policymakers to maintain the openness of the international trade system in manufactures.

Unless we are careful, a real struggle about international economic position and the economic role of the state—problems obscured when the present liberal trade system was designed—will result in an unmanageable burst of mercantilism that will undermine the liberal system and threaten the stability of the international political order. There are those who believe that reordering the international monetary system and, in particular, the setting of stable and workable exchange rate parities, would in itself resolve many of the sectoral trade problems we now encounter. The mercantilist challenge would then go away. The present valuation of the American currency and the rapid shifts in monetary values that dramatically alter the competitive position of firms without any change in the underlying industrial reality certainly create problems that might not exist otherwise. Monetary readjustment, stabilization, safety nets, and shock absorbers are all necessary for the health of the international economy; so is an end to recession.¹ However, neither a restructuring of the monetary system nor a quick technical fix in the trade rules will dissipate the basic challenge to the present trade order.

A dilemma of enduring international significance poses itself. Unless America responds to the competitive threats to its producers, we risk substantial damage to many sectors and, very quickly, to our ability to maintain an open international economy. If we do respond, in the ways that seem so successful for our now powerful competitors, we inevitably threaten the stability of the open trade order that has been vital to international growth and security. The stakes are high and visible. The dilemma will not be easily resolved: the policy debate will endure. Neither the end of recession nor an exchange rate readjustment nor a change of administration will push the trade news back to the business section.

¹ For a discussion of these issues, see Albert Bressand, "Mastering the 'Worldeconomy'," *Foreign Affairs*, Spring 1983.

II

For a generation at least, the liberal trade system lived up to its billing. Trade among the advanced countries expanded dramatically. It contributed to their growth and helped to provide an international web of economic interests that held together the Western Alliance. After the self-defeating era of protection between the world wars, the gains from expanded trade in the post-World War II era were exhilarating.

The open trading system has rested on rules and institutions that were the careful construction of primarily American and British policymakers for the years after World War II.² From the beginning, the rules underpinning the open system have been designed to reduce substantially tariffs and other barriers to trade by reciprocal trade agreements and to assure that all nations would be treated the same. All countries would receive "most favored nation" treatment; that is, concessions made to one nation would apply to all parties to the multilateral agreements. To maintain the general principles, deviations in practice from the rules of the General Agreement on Tariffs and Trade (GATT) have been framed as exceptions and "escape clauses." Trade zones such as the British Commonwealth, which existed before GATT, preferences to developing countries, and regional free-trade areas and customs unions have all been tolerated. For national industries which are damaged by specific reductions in trade barriers, escape clauses allow governments to impose import restrictions to ease adjustment. There is also a series of arrangements to permit government retaliation against dumping or subsidization, making domestic policies that distort trade the subject of international negotiation—though no multinational enforcement procedures have ever been established.

In operation, the system never achieved completely free trade. It never addressed agriculture or services or the movement of labor. The exceptions and exemptions in manufacturing were extensive. However, the successive rounds of multilateral trade negotiations, at least through the 1960s, succeeded quite well in reducing formal barriers to trade.

It was assumed that unrestricted and non-discriminatory trade would increase economic efficiency. Since production costs and production structures in the various advanced countries were thought to converge, it was believed that expanded trade would

² Robert E. Baldwin and David A. Kay, "International Trade and International Relations," in *World Politics and International Economics*, Eds. C. Fred Bergsten and Lawrence B. Krause, Washington: Brookings Institution, 1975.

result in greater specialization. Consequently, trade between nations could grow without painful dislocation of workers and firms. For example, in the machine-tool industry, Germany might capture a large share of the market for some tools, while the United States would become increasingly dominant in other segments of the market. No advanced industrial country would face absolute losses in its share of trade in any sector, or at least in its share of trade in a set of related sectors. The implication is that countries should produce what they make most efficiently and trade for the rest. Even the country with an absolute disadvantage—a higher domestic cost of production for all traded commodities—gains from free trade by importing those goods in which its absolute disadvantage is greatest. The sectors in which a nation is relatively strongest, compared to other sectors in the same country, is where the nation's comparative advantage can be found and these sectors would be "revealed" by examining what goods a nation trades under conditions of free trade. There would be only winners in the trade game: the general welfare would increase for all.

The GATT system, then, was constructed around a set of definable premises. First, trade arrangements that are built on multilateral negotiations among all nations are preferable to bilateral or other partial arrangements. Second, trade will be conducted by private actors in markets in which prices are set by a free interplay of supply and demand. Third, free trade will generate the expansion of all economies, if only each will bear the strains of internal expansion and adjustment. Fourth, government intervention is seen as a distortion of the market aimed centrally at delaying domestic adjustment to international price signals.

When considering trade among advanced countries, the premises of the GATT system ignore or deny the potential influence on trade of development strategies working through domestic structures. Thus they only awkwardly fit many of the new realities of international trade. The assumption—half fact and half fiction—that governments are negotiating about the rules of trade and leaving the market to settle the outcomes, is increasingly less tenable. Governments are increasingly negotiating directly about trade outcomes. Moreover, in each of the issues discussed below the rules of the domestic economy and the appropriate use of national government power in the world economy themselves become the subject of negotiation.

Even a few years ago it seemed that the exceptions to reasonably free trade could be contained and the goals preserved by some system of "organized muddling through." It was believed that the

reduction of non-tariff barriers could be negotiated in the same fashion that had so successfully removed more direct limitations on trade during the previous generation. But bargaining over external barriers and negotiating over the arrangements of the domestic political economy in fact involve very different things.

III

Several developments set the informal agenda of preoccupations. The Americans discovered that the American economy, as well as the other national economies, was “interdependent,” that is, sensitive and even vulnerable to developments abroad. Two emblems of the new era focused attention on powerful new forms of private actions in international trade and obscured the enduring ability of governments to shape economic outcomes: the dramatic ability of the multinational corporation (MNC) to formulate international strategies and to operate across national boundaries; and the rapid expansion of the Eurocurrency market to produce an international private financial system of similar size to the one inside the United States, but outside the control of any governmental authority. Compared to these new and powerful forces government interventions were treated as relatively negligible, rather rearguard exceptions to a transforming liberal order.

Though attention and concern were focused on the MNCs and the Eurodollar market, their preeminence was not the inevitable market outcome of improved communications and transport technology. Critically, the bargains that host countries struck with the American MNCs depended in the end on the administrative resources and will of the government and the economic structure of the country. The Japanese first showed that a government could act as doorman to the national economy, breaking up the package of management, finance, technology, and control represented by the MNC and forcing the pieces to be recombined under national authority. Other countries quickly learned those lessons. Government and politics had mattered all along; their influence had simply been obscured.

It is not that multinational corporations and private international financial markets have diminished in size or importance, but rather that state strategies to shape markets have become more prevalent, more powerful, and more central to the future shape of the international economic order. The particular state strategies that challenge the liberal trade order of the GATT system can be grouped under three headings.

—State-centered policies to create comparative advantage: the

“developmental state.”

—Managing surplus capacity: the negotiation of industrial transition.

—The state as trader: the problem of barter.

Let us consider these issues in turn.

IV

The central purpose of the “developmental state” is the promotion of growth. Critical sectors, those that by their links to other industries can affect the entire economy, are thus seen as a form of industrial infrastructure. Such critical industries are treated as the equivalent of roads and bridges in an earlier era and consequently are seen, even in a capitalist economy, as an appropriate concern of government. The state pursues the competitive development of specific economic sectors in the short run with the long-term purpose of assuring the industrial base required for the expansion of the entire economy. Japan is the most successful and closely examined example. There, systematic government policies have sought to move the economy from labor-intensive goods such as textiles, to consumer durables such as televisions and automobiles, and then into the advanced technology sectors of computers and, soon, aircraft. The Japanese have demonstrated clearly that under some circumstances developmental policies can work. They have shown the path and the stakes.

In promoting internationally competitive industries in telecommunications, aerospace, nuclear energy, petrochemical and offshore engineering, avionics, and transportation equipment, the French have also understood the power of this approach.³ They have demonstrated to such interested nations as Brazil that success is not tied to inimitable particularities such as Japanese management traditions, the dutifulness of Asian labor, or a natural (or imposed) political consensus. Rather, with careful planning success is open even to nations with communist workers, cultivated managers, and a political and social heterogeneity perhaps best characterized by de Gaulle’s complaint, “How can you govern a nation with three hundred different kinds of cheese?”

The governments of the newly industrializing countries (NICs) are attempting to repeat the trick, starting again at the beginning of the cycle with labor-intensive production or in sectors with stable

³ On the French case, see Stephen S. Cohen, *Modern Capitalist Planning: The French Model*, Berkeley: University of California Press, 1977. See also Cohen, “Informed Bewilderment,” and Stephen S. Cohen, James K. Galbraith, and John Zysman, “Rehabbing the Labyrinth,” in *France in the Troubled World Economy*, eds. Stephen S. Cohen and Peter A. Gourevitch, London: Butterworths, 1982.

and easily available technologies. Such late developers have a series of advantages, including the ability to apply the best available technology, which in established industries is not difficult to obtain or to use. The notion that comparative advantage can be created and not, as static trade theory suggests, just revealed, lies behind the concerted government strategies to create international industrial advantage that are the core of development policy.⁴ The developmental state, then, pursues clearly defined goals of industrial expansion rather than attempting simply to umpire the economic rules while leaving the economic outcomes to be settled in market competition. In doing so it acts as a player in the market through specific financial and administrative arrangements.

The argument about which economic theory should guide government policy has been absent from U.S. trade theory literature. Traditional trade theory does not deal well with questions that do not fit its static orientations and its assumptions of perfect competition. It certainly does not confront the role government can play in creating comparative advantage. The theory behind the developmental state, however, took concrete form a generation ago in Japan as a fight over policy between the Bank of Japan and the Ministry of International Trade and Industry (MITI). Proponents of developmental approaches argued, in effect, that government policy can gradually turn a temporary competitive disadvantage into enduring comparative advantage because government policy affects the gradual accumulation of physical and human capacity that underlies production technologies.⁵ National comparative advantage is in part a product of national policies over time.

That implication has been absorbed by many governments which are attempting to create enduring advantages and to alter their national place in the world economic hierarchy. In competition among the advanced countries, these government strategies create intense trade controversy in sectors such as electronics, telecommunications and aircraft. The U.S.-Japanese high-technology trade negotiations—currently underway—are sparked by just these issues. The development strategies of the NICs pose problems in other sectors. Although many American industrialists would like to forbid such state strategies, it would be difficult at best to enforce a judgment that Japanese or Korean, French or Brazilian practice is simply illegal. Those who pursue developmental strategies do not

⁴ For a development of the notion of created comparative advantage, see John Zysman and Laura Tyson, eds., *American Industry in International Competition*, Ithaca (N.Y.): Cornell University Press, 1983, Chapter I.

⁵ See John Zysman and Laura Tyson, *American Industry*, *op. cit.*

accept “free” market outcomes as inevitable or automatically legitimate.

Since we cannot here review a long series of country and sector stories, let us at least briefly consider some fundamentals of the Japanese case. The Japanese government exerted influence on the economy during its boom years of the 1950s and 1960s in two principal ways. First, it was a gatekeeper, controlling the links between the domestic and international economy. It was, in T.J. Pempel’s terms, an “official doorman determining what and under what conditions capital, technology and manufacturing products enter and leave Japan.”⁶ The discretion to decide what to let in and, at the extreme, out of Japan permitted the doorman to break up the packages of technology, capital, and control that the multinational corporations represent. In almost all cases, neither money nor technology could in itself allow outsiders to buy or bull their way into a permanent position in the Japanese market. This closed market then gave Japanese firms a stable base of demand which permitted rapid expansion of production and innovation in manufacturing.

Second, government agencies—most notoriously MITI—sought to orient the development of the domestic economy. Although government bureaucrats did not dictate to an administered market, they have consciously contributed to the development of particular sectors. MITI is not so much a strict director as a player with its own purposes and its own means of interfering in the market to reach them. Government industrial strategy assumes that the market pressures of competition can serve as an instrument of policy. It is not simply that the government makes use of competitive forces that arise naturally in the market, but rather that it often induces the very competition it directs.⁷ This intense, but controlled, domestic competition substituted for the pressures of the international market to force development. The competition is real, but the government and private sector work together to avoid “disruptive” or “evasive” competition. We do not need to select between cartoon images of Japan, Inc. or a land of unfettered competition. It is the particular interaction of state and market in Japan that is interesting.

Seen from the perspective of the firm, government policy helped

⁶ T.J. Pempel, “Japanese Foreign Economic Policy,” in *Between Power and Plenty: Foreign Economic Policy of Advanced Industrial States*, ed. Peter Katzenstein, Madison: University of Wisconsin Press, 1978, p. 139. See also Chalmers Johnson, *MITI and the Japanese Economic Miracle*, Stanford: Stanford University Press, 1982.

⁷ See John Zysman, *Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change*, Ithaca (N.Y.): Cornell University Press, 1983, p. 237.

provide cash for investment, tax breaks to sustain liquidity, research and development support, and aid to promote exports. These public policies—the web of policies rather than any individual elements of it—changed the options of companies. Without the protected markets, the initial investment could not in many cases have been justified by private companies. Without external debt finance, the funds to expand production rapidly would not have been available to the firms. Within a protected market, the easy availability of capital and imported technology was bound to attract entrants to favored sectors.

However, MITI viewed the stampede for entry which it had encouraged and the resulting battle for market share, which limited profits, as excessive competition that had to be controlled. The intensive domestic competition was controlled by a variety of mechanisms that included expansion plans agreed to jointly by government and industry, debt financing of rapid expansion that made the bankruptcy of major firms a threat to the entire economy and hence unthinkable, and the oft-cited recession cartels. The dual facts of purposive government influence on economic outcomes and real market competition are reconciled by seeing the system as one of controlled or limited competition.

The very success of Japanese industrial development—combined with intensifying pressure from Japan's trading partners—has begun to loosen the network of relations that characterized the developmental state, and on which the strategy of creating advantage in world markets rested. Many formal restrictions on entry to the Japanese market have been lifted. Partly as a result there has been a real increase in manufacturing imports into Japan. Serious trade problems still remain, however. As long as Japan had to borrow the generic technologies on which to build its growth and had undeveloped potential markets that could be seized by domestic or foreign producers, formal closure of markets was essential to a system of orchestrated development. Now less formal obstacles to entry may matter as crucially to competition in advanced technology as formal restrictions did a generation earlier.

Japan's imports of manufactured goods remain dramatically below those of the other advanced countries, and have not increased as a portion of the national economy since the early 1970s. Japan's unique trade characteristic is the tendency, relative to its trade partners, not to import manufactures in sectors in which it exports. The system of administrative guidance that affects government programs of finance and procurement, the Byzantine distribution systems, and the habits of private coordination amidst competition

all evolved slowly. Indeed, the Japanese government still exercises a leadership role and exerts substantial influence in high-technology industries on the one hand, and declining or mature industries faced with oversupply on the other.

There is a crucial interplay between these two sets of interventionist policies that is likely to continue to spark problems in international markets and enduring tensions between Japan and its trading partners. Promotional policies in which the risks of domestic oversupply are at least in part insured against or underwritten, depending on how one chooses to characterize the particulars of Japanese policies, encourage bursts of investment for domestic demand that translate rapidly into export drives.⁸ Now that Japanese producers tie domestic investment decisions directly to world market strategies, the relationship between strategies in the Japanese market and their impact in the American market is immediate. There is a pattern of aggressive promotion of advancing sectors and of determined insulation and cushioning of mature sectors. This amounts to confining open international competition in the domestic market to sectors in which major Japanese firms are dominant worldwide or at least able to withstand foreign entry into the home market, and to sectors from which Japanese firms are absent. It implies sustaining closure in those sectors that are under pressure from abroad.⁹

The Japanese system may slowly open and become fully integrated in manufactured goods with its advanced-country trade partners. Other would-be Japans stand in line. The challenge of the developmental state will not pass from the contemporary scene.

V

The second set of trade problems concerns the management of "surplus capacity." The phrase implies negotiations among compa-

⁸ Kozo Yamamura, "Success that Soured," in *Policy and Trade Issues of the Japanese Economy*, ed. Kozo Yamamura, Seattle: University of Washington Press, 1982.

⁹ Japanese strategies of industrial promotion in both the era of formal closure and the period of loosening of the developmental system are evident in advanced technologies. When Japan lacked basic electronic technologies, American firms were forced to license Japanese firms in order to have any access to that market. Texas Instruments, with its strong patent position in generic semiconductor technology, was able to trade its licenses for a permanent share of the Japanese market; its part of that market, however, has not moved significantly up or down over the last years. Even IBM saw its position erode in Japan, despite the fact that no Japanese company could compete with it anywhere else in the world. Formal trade barriers were dropped in the mid-1970s. In preparation the industry was somewhat reorganized and the government—both NTT and MITI—launched coordinated domestic programs of technology development that allowed Japanese firms to catch up to American companies in basic component products. As the Japanese established parity in the most standard of these products, random access memories (RAMs), production in Japan boomed and export drives into America began. Development strategies and private coordination did not cease with an end to formal closure.

nies and governments to reduce supply to meet existing demand. Certainly the notion is very distant from conceptions of "free trade"; it calls for an active government participation in industry affairs.

Surplus capacity has a multitude of sources. A sharp drop in demand which leaves existing producers to battle over a diminished market is the most obvious. When the U.S. steel industry is operating at 44 percent of capacity and the European industry at 53 percent of capacity, every surge in trade has critical implications for the profitability of each company and for employment in each nation. Subsidies, protection, and devaluations all appear as means to export unemployment and maintain profits. Such difficulties are not new, and the analogy to the 1930s needs to be drawn. This, though, is the beginning, not the end, of our story.

The entry of new producers, often from developing countries, into international markets has certainly contributed as much as recession to the present problems of excess production. The series of bilateral deals to limit exports from one specific country to another have come to be called orderly marketing agreements (OMAs). These "voluntary" export restraints ostensibly stay within the rules of GATT, but in spirit step beyond them. They have cropped up as developing countries penetrate advanced-country markets and as firms in one advanced country enter product sectors dominated by established firms in another advanced nation. The production costs of the new producers are below those of established companies. In some cases, such as some segments of the shoe and textile industries, lower labor costs are the issue. In others, such as autos and steel, basic innovations in the process of production are at the root of diverging production costs.¹⁰ Thus, there are such bilateral deals in shoes with Taiwan and Hong Kong and in autos with Japan.

At first these arrangements were viewed as exceptional bargains that simply detracted from the broader move toward freer trade. Or, in the case of the American legislation implementing the Kennedy Round of trade negotiations, such restrictions were a price to be paid to the textile industry to obtain its acquiescence to the broader trade legislation. Later, an entire set of rules was devised in the textile sector that provided a common international framework within which these specific bilateral arrangements were worked out. The Multi-Fibre Arrangement (MFA) removed textiles from the general liberal trade regime and established a multilateral

¹⁰ For a discussion of the footwear, textile and steel cases, see essays by Borrus, Milstein, Aggarwal and Yoffie, in Zysman and Tyson, *American Industry*, *op. cit.*

system to regulate protection.

The protectionist exceptions to the free trade deal have been systematized in textiles. The public codification is unusual, not the restrictions. In steel and petrochemicals there are a variety of restrictive cartels which provide a setting for negotiation among companies and governments. Together, the sectors in which restrictive international arrangements are commonplace constitute a good chunk of internationally traded industrial production.

The management of surplus capacity creates several very different problems. Formally, the Europeans and Japanese tend to manage excess capacity at home through cartels or cartel-like arrangements, and the Japanese are prepared to negotiate market-sharing arrangements internationally. Such arrangements are legally and politically difficult in most cases in the United States. In part as a result, American policy responds to international excess capacity through external protection.

Financial subsidy is another means by which the Europeans protect their industries. For example, multi-billion-dollar subsidies in France went into saving a bankrupt steel industry. American policy, by contrast, has effectively provided tariff protection through trigger prices which aim at higher prices and higher profits as the means to finance adjustment. Indeed, the steel conflicts between the United States and Europe in June 1982 hinged technically on how to calculate the value of government subsidy. Behind the debate on technique, though, lie fundamentally different notions of the place and role of government in the economy. These differences in domestic approach make international negotiations about surplus capacity exceptionally difficult.

A related problem is the management of industrial transition, or the shift in resources from one sector to another, as firms exit from industries plagued by excess capacity or by shifts in comparative advantage. American policy tends to leave the process of industrial transition to the financial markets, mergers, and the bankruptcy court; the executive branch assumes a hands-off attitude toward the outcomes of such proceedings. The Chrysler and Lockheed cases are certainly exceptions, and the extensive debate over specialized legislation required in each case simply underlines their exceptional character.

More and more governments are organizing the adjustments of their domestic economies. They reject profoundly the notion that social and economic structure should be left to the international market to determine.

Arguments about who will bear the pain of recession blur into

negotiations about who will be situated in growth sectors to ride the next boom. In fact, what is at stake in the international negotiations that result is often precisely which companies, in which countries, will be able to survive the transition to a different pattern of products, or a new system of production. In a politicized world economy, one in which some governments are attempting to structure market outcomes, a liberal economy with a passive government may find itself at a disadvantage in many situations. The question is how to respond.

Several different sources of excess capacity are often present in a particular trade dispute. In the automobile controversy, for example, the Japanese penetration of the American market was facilitated by the oil crisis that abruptly increased the demand for the small cars the Japanese made and reduced it for the larger cars the Americans made. In that case, the critical problem for American producers was to alter the composition of their product mix to offer smaller, more fuel-efficient cars. The Japanese, however, were a receding target. It soon became clear that they had achieved fundamental innovations in the organization of auto production that gave them a more sustained advantage. By 1980, analysts had begun to estimate that the Japanese had a staggering cost advantage of as much as \$1,500 on a \$5,000 car.

The sudden Japanese burst onto the world auto scene was substantially assisted by the long-term promotional policies of the Japanese government. The British government intervened to dam the flood of imports that had risen from under 10 percent to nearly 50 percent of the British market; the French, to protect their market and express displeasure with the closure of the Japanese market, simply limited Japan to three percent of the French market. The Americans negotiated a moratorium on increases in Japanese market share.

The several sources of oversupply intertwine, but each calls for quite a different policy resolution. For example, declining demand calls for a division of the remaining markets among existing producers, each of whom may be tempted to gain marginal revenue by operating high-cost plants at full capacity and selling the marginal production at below-average cost in someone else's market. By contrast, divergent production costs or seemingly permanent changes in the composition of demand that give more long-term advantages to one nation's producers pose knottier issues. They make it harder to negotiate a resolution of shifting positions in the market, whether it be the entry of newcomers or a readjustment of position among existing producers. Why should the winners con-

cede at the bargaining table what they can gain in the market?

VI

The third main threat to the liberal trading order is the growing activity of the national state as a trader, directly negotiating the terms of sales and influencing the terms of the supposedly private bargains. State trading, barter, buyback, offset, and mixed trade agreements are not new, but their volume is increasing rapidly. Growing volumes of trade with Eastern Europe and OPEC countries encouraged barter. Leaving arms trade (a case unto itself) aside, national states are important commercial actors in sectors as diverse as construction, aircraft, and telephone equipment. To cases where the government is salesman, we must add the state negotiation of buyback and barter arrangements. Such arrangements have recently been estimated to represent up to 30 percent of all international trade.¹¹

While this is almost certainly an exaggeration, countertrade or barter-trade arrangements have grown in significance in recent years, to open a new arena for state action. Along with their quantitative growth, their role in the international trade system is changing. From marginal and exceptional practices in a few specialized areas (such as armaments), they are coming to occupy an ever more central role in the organization of international trade. Some governments are better organized than others to play the role of "trader." Certainly the same centralization and bureaucratic coordination that permit the French and Japanese states to play developmental roles in their economies at home provide them a capacity to act as traders abroad. Those countries that are technically less suited to this role are also ideologically opposed to such trade activities and condemn them as a violation of the principles of free trade.

These new wrinkles are less a flurry of idiosyncratic innovations than the coherent consequences of growing mercantilism. Behind them lie the two basic forces examined above: 1) the rise of the developmental state as a primary actor in the international trade scene, and its increasingly dominant role as an economic actor in newly industrializing and reindustrializing countries; and 2) the need to manage surplus capacity and to negotiate industrial transition. They tend to come together to diminish the role of private market transactions as the dominant and organizing means of international trade. The dynamic is self-reinforcing. State trading

¹¹ *Business Week*, July 19, 1982, p. 118.

leads to offsets, offsets to mixed packages. As they become accepted practices, expertise, roles, and institutions develop to expand, reinforce, and perpetuate the emergent parallel system. Institutions well adapted for success in one system—such as the entrepreneurial firm—find themselves ill adapted to the other system.

These fundamental tendencies are in turn reinforced by powerful secondary trends. The first, beginning in the mid-1970s, was the sudden availability of funds for developing country governments in which state guidance is central to investment and trade. For some countries, mostly OPEC nations and NICs, the funds came through trade; for others, such as Brazil and Mexico, through borrowing. In both sets of cases, their expanded role in international trade has meant an expansion of the role of state trading, and a relative diminution of direct market transactions between private buyers and sellers. Another important secondary source for the growth of the mercantilist practices has been the rapid expansion of trade with centrally planned economies.

The third trend is the rapid growth of international trade in sophisticated armaments. Armaments is the sector where it is most difficult to distinguish between economics and politics, between the state and the private sector. Governments are clients—they buy the arms. But they are also investment bankers, financing not only production, but research, design, and development. They are also merchant bankers, finding foreign buyers, organizing the sale, financing the sale, organizing the offsets, dumping the bartered counterparts, and financing services, such as training and maintenance, that make the sale—and follow-on sales—possible. The market is characterized by discrete giant contracts rather than by marginally adjusting commodity flows.

The mixed aid packages, offsets, and barter that characterize those contracts make true prices difficult to compute, and the complex financing and costing structures and practices of the manufacturers of large-scale, sophisticated armaments make real costs equally obscure. The contracts are most often negotiated government to government, with complex political considerations replacing simple price-quality calculations. In many ways the arms trade is the model of the new mercantilism, as well as its most important quantitative expression. It is also one of its most important progenitors, developing the habits, the channels and the institutions that then spin off into other sectors.

In sum, the rules and the structures of the game of international trade are being changed by these institutional innovations. Market trade practices, observed chiefly within a small group of Western liberal economies, are being threatened. It is a bit like what hap-

pened to football when the hard-shell helmet and all that protective padding were introduced. They first came as defensive measures to protect the more delicate parts of the more vulnerable players. But they quickly transformed the head into a battering ram. To defend themselves, everyone else was forced to adopt the new defensive/offensive innovation and change the way they played the game. Safety did not necessarily increase; the game did not necessarily improve.

Examples of these new wrinkles in buybacks, mixed aid packages, offsets, and barter abound. The General Electric Company recently reported losing an important contract for the sale of CAT scanners to Austrian hospitals when a competitor, Germany's Siemens, agreed to increase production of electrical goods (not CAT scanners) at a plant it owns and operates in Austria, thereby offsetting the purchase with additional Austrian employment. McDonnell Douglas, in order to sell over \$2 billion of military fighters to Canada, agreed to locate employment in Canada and to help to market a miscellany of Canadian goods. Northrop has similar complex deals all over the world, as do GE, General Motors, and a host of other major American companies.

Barter is certainly not new. Indeed, money was first introduced to overcome its obvious inconveniences, and 1983 seems like a strange time to begin to reinvent the East India—or the West India—companies. But its spectacular rebirth is only the tip of a great iceberg of new trade conditions, forms and objectives. Why the increase in barter?

Certainly a palm-oil-producing country could sell its own palm oil as well as GE, Northrop, or Aerospatiale. If not, they could purchase the international trading expertise. If Mitsubishi could sell the palm oil better than the producer government or firm, the economist would then expect Mitsubishi to enter that new line of business in a massive way. Even after the usual economic considerations accounting for the substitution of money for barter have been run through, a new set of arguments comes to the surface. The first is the simplest: bartering permits a vagueness in the price of the selling product. It is a way around anti-dumping rules, a way to practice market discrimination (selling cheaper in weaker markets), a way to survive bad times. And once the others do it, even the strongest competitor will sooner or later have to adapt to the new rules. It is, in this view, part of an overcapacity problem. It should diminish in intensity once the world economy picks up, that is, if one's own national producers don't first find themselves excluded from markets where reentry will be extremely costly and perhaps impossible.

The second explanation is that some producers may not be able to buy marketing skills and consequently wish to transfer that problem to someone else. Indeed, they may be willing to let prices shift against them in order to transfer that selling task to their trading partners.

The third explanation is more interesting—and concerns more permanent conditions. Many international transactions are simply not about exchanging one product for another, as in classical trade theory, wine for wool, oil for electronics. They are about deliberate efforts to change a nation's economic situation, to reposition its industry in the international division of labor. The Brazilian petrochemicals case and the European Airbus case illustrate this view particularly well. Japanese computers, a few years back, were a parallel illustration; so were French process engineering, Brazilian automotives, Japanese semiconductors, and East European petrochemicals. The list can be made very long.

VII

The GATT system was premised on the notion that production and exchange would be conducted by private actors and that all countries stood to gain from increased trade. It intended that the rules of international trade would be built on a multilateral basis, as a deal among all the players, rather than as a result of the patchwork of individual bargains. Finally, it assumed that the rules would be applied evenhandedly, without discrimination against, or favoritism for, a few. The faith was that the major economies would abide by the rules, police them, and accommodate to such exceptions as might be required to keep the system together.

Clearly, state-centered economic strategies challenge the various pillars of this system. Individual governments have little reason to play by the rules and leave their markets open to challenges to their domestic industries promoted by foreign states. "Orderly marketing agreements" and other explicit market arrangements between governments to parcel out market shares tend to push problems toward the markets of those not privy to the bargain. If Japanese cars are kept out of the American market, outlets will be sought in Europe. The trade conflicts outlined here cannot be resolved simply by agreements about the procedures of trade. Such agreements merely reiterate the premises and objectives of a liberal economic order—the elimination of tariffs, quotas, and non-tariff barriers on the one hand and multilateralism and nondiscrimination on the other. The difficulty is that the mercantilist challenge sets interest

in outcomes against a simple defense of the rules of the game. As Joan Pearce has pointed out, "the United States until recently has clearly benefitted from free trade in manufactured goods and set its sights on achieving conditions of a free market. . . . France . . . adopts the view that in international trade the free market is a chimera, and that the best that can be achieved is a balance of interests."¹² Unfortunately, American interests have begun to shift.

The international trade order must now accommodate state-centered economic strategies. This mercantilist challenge to the liberal economic order comes as America's dominant international position in world markets and its ability to regulate monetary and trade affairs have eroded. This will make the resolution of the current set of problems all the more difficult for two quite distinct reasons.

First, stable international economic orders are thought to be maintained by a hegemon, a dominant power able to sustain the rules. Britain once played that role and, for a quarter-century after the war, the United States did. As American economic preeminence has eroded, so has its ability to act as hegemon and to make the side payments needed to sustain all nations' commitments to the international economic rules. For example, in the trade domain, the United States was once able to offer access to its market to promote loyalty to the system. In monetary affairs the United States was able to ignore devaluations of foreign currencies against the dollar that were made to improve the trade positions of the devaluing countries. Since the value of the dollar was a constant, a stable short-term solution to the international monetary equation could be worked out.

While our ability to support the international economic system has eroded, the United States remains by far the strongest single nation in the international economy. We are now tempted to use that power to manipulate and twist the system's rules to accommodate our own domestic problems.

American policymakers and business executives often see the Europeans as neomercantilist, unfairly using state power to gain economic advantage in what should be a liberal economic order. Europeans and Japanese, in turn, view our management and manipulation of the system as a different kind of neomercantilism. We achieve the same purposes, in their view, by manipulating the international rules to gain advantage and to block the political and industrial purposes of other nations. Similarly, the Europeans and

¹² Joan Pearce, *Subsidized Export Credit*, London: Chatham House (Royal Institute of International Affairs), 1980.

Japanese claim that American competitive advantage in many sectors depends directly on U.S. government policies. They see no difference between Defense Department expenditures that help speed civilian aeronautic and electronic industry development, and their own government expenditures intended to close the competitive gap with the United States. When American negotiators complain of the Japanese joint research ventures in electronics, the Japanese quickly point to the Defense Department's VHSIC (Very High Speed Integrated Circuit) program. Even the production equipment developed for this VHSIC program will not be permitted to be sold abroad. Similarly, the French contrast their support of Airbus with the Defense Department's support of Boeing's K-135 jet tanker produced on the same assembly as the 707. We claim that the purpose of such defense programs is not commercial development, or that obscure rules on coastal shipping which have made it difficult for foreign oil-pipe producers to enter the U.S. market did not originally have commercial intent. Whatever their purposes, our trade partners retort, these policies have commercial consequences and must be considered when negotiating.

Second, our trade partners note that while America rejects financial subsidies to protect domestic industries or to reorganize them, it resorts very quickly to protection. A recently completed study of a set of trade-impacted sectors found that in each instance where American industry has been jolted by international competition, the primary policy has been protection.¹³ As long as the sectors facing intense foreign competition were either exceptional or marginal, American policy could live happily with a contradiction between a general commitment to free trade and concrete protectionist policies in the few trade-impacted sectors. But as autos, steel, television, and even semiconductors are pressed hard by foreign competitors, the domestic strategy of protection in the last resort threatens not only the American economy, but also the international fabric of open trade relations constructed in the last years.

VIII

Together these several trade questions—the developmental state actively creating advantage in international markets, state management of surplus capacity, the growth of state trading and barter, and the competitive decline of crucial American industrial sectors—require a reconsideration of American trade policies. There are two policy questions. First, how do we sustain an open system? Second, how do we effectively promote the competitive develop-

¹³ Zysman and Tyson, *American Industry*, *op. cit.*

ment of the American economy? It is not a choice. We must achieve both ends. The bet is double or nothing.

Sustaining these twin trade-policy objectives poses a potential dilemma. The mercantilist strategies have worked particularly effectively in an open trade system. That openness has been maintained by American commitment to liberal policies, and by the overwhelming preeminence of American economic and political power. Unless American policy now responds to the specific statist strategies discussed above, we risk the competitive position of many sectors. Yet if our own response is mercantilist, then American policy will simply accelerate the present drift toward world protectionism. The real task is not simply to reconcile these objectives, but rather to use trade policy as an instrument to promote competitiveness.

There is no refuge in no policy: doing nothing will quickly result in more protectionism. Whatever specific troubles trade may generate in particular sectors, America has an enduring economic and security interest in an open trading system. A multitude of special privileges and discriminations, hastily constructed trading blocs, and political manipulations of trade would result from American protectionism. With all advanced countries deeply dependent on imported oil, the struggle for competitive markets would become even more political. The result would probably be a drop in trade not compensated by any pickup in domestic sales—in essence a further shrinking of demand in an already depressed world. Crucially, a fragmentation of the West into rival political-economic blocs would only undermine American hopes for a stable and secure world. Moreover, aggressive state-led economic strategies are not congenial to the ideological bent of this country or particularly suited to the capacities of the federal government.

Certainly exchange rate adjustment and the end of the worldwide recession would ease some of the trade conflicts, but would not eliminate the central conflicts or the need to address them. With steel capacity in Europe and the United States at roughly 50 percent, even after major plant closings, only substantial increases in demand would reduce tensions. But the loss of export markets, and then the rise in imports as Japan and later the NICs introduced steel-making capacity, are not tied to the recession. Detroit's problems with Japan would not end even if auto sales picked up. Indeed, without restrictions on Japanese exports, such a boom might simply draw in more imports.

Similarly, a pickup in airplane sales might relieve Boeing's most immediate cash problems, but it would not alter the penetration of

Airbus into world routes previously dominated by Boeing. The problem is that when world leadership in aircraft production or in consumer electronics has in the past shifted, it has done so very rapidly, and one major success can alter the very logic of that competitive game.

Indeed, the difficulty for U.S. policy is that the trade struggle is not simply over the size of the pie, so that a growing pie can satisfy all appetites even if some shares are larger. It is even more a struggle over the relative position of different countries in the ever-changing system of international comparative advantage and division of labor, a question of which countries will most fully take advantage of the growth possibilities new industries represent. Questions of economic welfare, national power, and international order come together. They must be answered together.

American policy must promote the international competitive development of American industry, and it must do so while sustaining the open trade system. These two objectives must be achieved together.

At the moment, America's primary policy response to the domestic problems generated by international trade is protection, even though the general thrust of our efforts since the war has been aimed at creating a world that favored free trade. The array of policies must be broadened. Trade policies must serve to open markets abroad and to promote the competitive adjustment of American industries in international trade, not to insulate the American economy. Domestic policies for industrial development are needed as an alternative to protection and as a means to press for competitive adjustment when—more often than we would like—protectionist measures are adopted.

Since America has enduring economic and security interests in the open economic system, our response to the challenge of state-centered trade strategies must be built within the framework of the current GATT system. While the last round of trade negotiations accepted the notion that domestic economic policies can represent barriers to trade, the resolution was left to later agreement. Limited progress has been made. Indeed, a general negotiated resolution is unlikely.

Certainly strengthening GATT and its associated mechanisms for temporary safeguard agreements to resolve conflicts is an important first step. Unfortunately, of the trade conducted under exceptional quantitative agreements, 90 percent occurred through agreements that were made outside the rules of GATT. Councils for consultation have not resolved tensions over steel, although temporary peace in

export finance was achieved. Similarly, greater transparency for government intervention would certainly make the facts of many conflicts clearer. Yet the intention of many governments is to conceal the character of their subsidies, not only from trade partners but from domestic rivals and often legislatures. The obstacles must be clearly understood. First, the very purpose of the mercantilist strategies is to create advantage in critical industries and to promote economic development. These policies are intended to achieve specific economic objectives, such as a competitive electronics industry, not just to establish favorable conditions for them to occur in the marketplace. Consequently, although all countries would pay serious political and economic prices if the trading system broke up as a result of such strategies, those countries such as Japan, which have been successful in employing them, will have to be actively dissuaded from using them.

However, if America responds with a general strategy of protectionism, it will tumble the entire game. On the contrary, three basic strategies to preserve the open trading system must be pursued.

First, we must actively demand access to foreign markets in those countries and in those sectors where the international competitive position of critical American sectors is at stake. State-promoted rapid growth strategies have hinged on privileged access to the domestic market, and the internal promotion of domestic technological development. Since not all trade barriers can be removed at once, we must in fact be prepared to make strategic choices about the primary needs of the American economy. The continued access of American farmers to world markets for agriculture is essential to national prosperity. Nonetheless, expanding their access to one segment of that market—Japan—may be less critical than the need of American high-technology firms to gain access to Japanese markets in advanced technology.¹⁴

Opening markets abroad, especially in high technology and especially in Japan, is not fundamentally about the dollar value to companies of sales in that market or about year-to-year balance-of-payments considerations. It is about countering the mercantilist strategies of developmental states. The purpose is to ensure that the Japanese market is not an insulated, privileged and secure base for domestic producers to invest in production innovation, achieve scale and cost efficiency, and launch an export drive.

Imposing competition is perhaps unfair in the infant industries

¹⁴ See, for example, Michael Borrus, *et al.*, in Zysman and Tyson, *American Industry, op. cit.*, and Borrus, *et al.*, *The Changing Terms of International Competition in Microelectronics*, Berkeley: BRIE, 1983, as well as on-going work at the BRIE on high-technology trade issues.

of developing nations, but that is not the case in the high-technology sectors of any of the advanced nations. Japan's difficulty in repeating in computers what it was able to do in television, autos, consumer electronics, and (partially) in semi-conductors, is in no small measure due to the exceptional circumstances of IBM's having a strong market position in Japan. That almost unique position forced Japanese producers (as IBM forces U.S. plug-compatible producers) to compete with it directly, on its terms. By strategically timing the introduction of new products, IBM impeded the mercantilist developmental strategy analyzed above. The evolution of the world automobile industry might have been very different had Fiat or VW or Renault been able to acquire a strong position in the Japanese automobile industry in the early 1960s when Japan produced only a few hundred thousand cars, as opposed to 1980 when it produced eight million. Opening foreign markets is not a simple question of quantities, it is a question of strategies.

Second, at its core the trade policy problem is framed by the fact that the open system must now rest on the continuous creation of a new international bargain, a cumulative approach to a negotiated settlement among several strong, though very unequal, partners, without a single hegemon to impose it. The United States must advance its inseparable goals of an open trade system and a strong U.S. economy through strategic thinking and action. But this vital international strategic dimension does not yet seem to have taken a prominent place in our economic policymaking.

For example, the United States has been opening its formerly regulated monopoly market in telecommunications to competition, both domestic and international. Among the biggest potential beneficiaries are such foreign giants as Nippon Electric, CIT Alcatel, Thomson, Ericsson and Northern—many (though not all) of them spearheads of successful national efforts to create comparative advantage. Comparable openings abroad were never demanded; contingencies were never raised. With the exception of the United Kingdom, the major foreign markets remain tightly controlled and largely closed. An opportunity to open vital foreign markets without bluster or threat was lost as one of the biggest potential bargaining chips in decades was squandered by the absence of strategic thinking.

Third, competitive conditions in third markets must be equalized. We must construct bargaining chips to counter practices that distort the terms of competition in third markets, and use them to steer competition back toward market criteria and forms. For example, if used as a bargaining chip, openly charging the Export-Import Bank to match subsidized export-financing arrangements is likely

to have much more of a deterrent than a subsidization effect. Once it is seen as being to no particular advantage, foreign governments are not likely to continue to subsidize exports to third markets. Universal arrangements will become easier to negotiate, and one element of destabilizing, market-distorting and non-productive competition will be reduced.

Nonetheless, there will continue to be domestic dislocation from trade, and without a strong competitive position for the broad range of American industry in international markets, all trade policy will fail in its attempt to sustain the open system. There must be domestic policy for industrial competitiveness, but of what kind?

IX

First of all, it must be emphasized that we are not faced with a choice between a blind faith in the long-term beneficence of markets or the establishment of a massive central investment and subsidization fund that will reconstruct the economy according to the judgment of its directors and the strengths of the political vectors that will converge on them. Equally, we can avoid the false dichotomy between Sunset and Sunrise industries. It is not simply a question of whether high-tech sectors can create the jobs to offset losses in the "mature" industries. Nor is it a matter of how to sort out the winners and losers from the usual lists that have textiles, ordinary consumer goods and footwear nearing the end of their day and robotics and biotechnology bringing in the new dawn. Unfortunately for such simplicities, exports in textiles have recently surged and Atari has moved abroad.

Most important, most of the high-tech sectors make producer goods. Success for American robotics and machine-tool companies depends upon manufacturers of automobiles, pens, washing machines, and electric motors purchasing and using the advanced technology and adjusting their manufacturing and strategic reasoning to the possibilities those technologies represent.¹⁵ Unless they do so, they will not remain competitive. Unless they remain competitive, the high-tech industries will not realize their promise. The workable strategy, economically as well as politically, is to bring high technology into the production of traditional products. The question is how to do it.

¹⁵ Recent research has substantially improved our understanding of the relations between competitiveness and manufacturing innovation as well as the ties between high technology and traditional manufacturing. See, in particular, Charles Sabel, *Work and Politics*, Cambridge: Cambridge University Press, 1982, Ch. 6, and Michael Piore and Charles Sabel, "Italian Small Business," in Zysman and Tyson, *op. cit.* See also, William J. Abernathy, *et al.*, *Industrial Renaissance*, New York: Basic Books, 1982. A series of projects on these issues is underway at the BRIE.

At its core, any policy for industrial development must aim at making markets work more effectively. We simply have no choice in the end. It is evident that proper macroeconomic policies (tax and spending decisions) are necessary. It is also clear that the scope of direct sectoral intervention simply cannot be extensive. Since as a practical matter a national administrative apparatus cannot grasp all the complexities of the market, any industrial policy will perforce focus on broad trends or on particular difficulties of only a few industries. Moreover, the complexities of any single industry should restrain any extensive interventionist ambitions. Without an independent ability to examine industrial dynamics, government is entirely dependent upon the view of firms and sectors that are seeking assistance. It will be forced to deal with any industrial crisis on an ad hoc basis, in a panic, without the proper resources to make informed judgments. Independent analytic capacity is needed not only to diagnose industry difficulties without bias, but also to give legitimacy to policies that may be proposed.

What distinguishes industrial policy is the government's capacity to evaluate the problems of industrial sectors, not the kinds of policies introduced to solve them.

A capacity to intervene may be the only way to avoid systematic protection, the only means of relieving political pressures that would thwart the process of industrial change, the only way to preserve an open system. However, since we cannot have policies for all industries, we must take clues from the few on which we focus to find solutions to the problems of the many on which the nation's economy rests. This means, of course, that there are no panaceas, no quick fixes. We need a multitude of solutions to a multitude of ills.

We must build new kinds of infrastructure for the nation's economy. In the nineteenth century the government ensured that the roads and railroads needed to create a continental economy would be built. That continental economy in turn brought the innovations in management and production that permitted American industry to dominate world manufacturing markets for several generations. Infrastructure in the modern world, however, is not only roads and bridges. Financial systems, for example, are as much a product of government policy as market activity. The difficulties U.S. semi-conductor firms have encountered in financing product development and capacity expansion suggests policies to make our financial markets provide capital to rapidly growing innovative companies. Let us consider how a specific issue can be addressed by constructing the economic infrastructure needed to make markets work effectively.

One present problem is to force a reorganization of our basic conception of manufacturing in order to effectively apply micro-electronics to the workplace. America should create a Factory Extension Service, a modern industrial equivalent of the Agricultural Extension. The farm program, with its research centers and extension service, was arguably America's most successful industrial policy. It brought a host of advanced technologies into use by very small, very unsophisticated farm enterprises. It contributed mightily to a dramatic and sustained improvement in farm productivity and to our national prosperity and power. It was also an invaluable aid, far more than a simple capital infusion would have been, for the growing industrial giants of its time, especially farm machinery and chemicals.

What we did on the farm we should do in the factory. Not only can a Factory Extension contribute to increasing the productivity of a broad range of American industries, particularly small and medium-sized manufacturers, but it can also significantly help to generate American production of technology at the lower half of the product line now being picked off by foreign competitors.

The massive development of such a market would help to redirect U.S. manufacturers of automated production equipment *away* from a growing dependence on the protected markets of defense and aerospace and from the habits of producing the highly specialized, very sophisticated lines of equipment demanded by those sectors—but by few others. It would redirect them toward international competitiveness for themselves, and toward a vital role in enhancing the competitiveness of a broad range of American industries.

X

In sum, the fundamental policy dilemma offers no simple out, no chance to choose between preserving an open international system or promoting the competitive redevelopment of American industry, no opportunity to separate international trade policy from domestic industrial policy.

To preserve an open system, trade policy must promote strategic market openings in developmental states and equalization of competitive conditions in third markets. Such openings are needed for the competitive position of U.S. industry. Domestic policy must aim at revitalizing a broad range of American manufacturing industries; otherwise, protectionist forces will overwhelm all efforts to maintain an open trade system.

Neither set of policies can achieve very much in the absence of successful aggregate policy; sustained recession will nullify even the

best trade policies and the best industrial revitalization efforts. Both policies must also rest on justice. Strategic trade policy, like domestic adjustment policy, means making choices of substantial and uneven economic consequence. Mechanisms must be created to share the burdens of those adjustments. The domestic costs of change must not simply be heaped on the losers, for, quite correctly, those costs are less and less seen to be the results of distant, impartial markets, but rather the consequences of political choices—that call for political responses.

Recently the United States has been unwilling and unable to confront the kind of strategic choices it must now make. All debate over technique and the details of policy aside, the choice is basic. Without getting caught in a dubious selection of Sunrise and Sunset sectors, we can promote the international competitiveness of American industry by introducing high technology into a broad range of industries, or we can try to preserve the past. It is quite possible that we will continue to fail to act. In the process, and most likely in the name of free trade, we will bring down open trade and the system of alliances we created over the past generation. The burden of action is now on those who would preserve an open international trade order.

David Ignatius

HOW TO REBUILD LEBANON

W

riting in these pages in 1952, Lebanese diplomat Charles Malik urged the United States to protect the security of a free and independent Lebanon. He described Lebanon's unique position—and predicament—of standing between East and West, looking toward the culture and markets of the Arab world and toward the sophistication and political liberties of the West. He made an eloquent appeal: "The Lebanon could not be true to East and West alike unless she stood for existential freedom. In the end is this alone her justification Whoever is about to suffocate must be able to breathe freely in the Lebanon."¹

The intervening 31 years have mostly been disastrous ones for Lebanese politics. Mr. Malik's vision of democracy and tolerance collapsed, as the country fought two civil wars and almost non-stop skirmishes. Instead of being a neutral bridge between the Arabs and Europe, Lebanon became a battleground for Arab-Israeli and inter-Arab conflict. The country that had looked East and West found itself betrayed on both fronts: by the manipulation of its Arab and Israeli neighbors and by the indifference of the West.

Last summer's Israeli invasion gave Lebanon a chance to break out of this vicious spiral. The war destroyed the Palestinian armed presence in Beirut and South Lebanon, which had exacerbated the country's internal problems. Just as important, the war forced the United States and its NATO allies to intervene decisively on behalf of the frail Lebanese government. But the war also raised the fundamental question of whether a permanent restoration of the nation of Lebanon is possible, or even desirable.

The answer is certainly yes. But the outlook is hopeful only if certain conditions are met. The first is a firm American commitment to help reestablish the sovereignty of the Lebanese state, through use of U.S. peacekeeping troops and military advisors. In making this commitment the United States must be prepared for a long and probably bloody war of subversion by factions that oppose the American presence; this could mean substantial American cas-

¹ Charles Malik, "The Near East: The Search for Truth," *Foreign Affairs*, January 1952, p. 239.

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ualties. The United States must also be ready to support Lebanon's interests when they conflict, in the short run, with those of America's principal Mideast ally, Israel. This sort of commitment will require a patience and resolve in American diplomacy that has been little evident in recent years. It will also require political support in the United States for the idea that Lebanon—a country that has looked to America as a friend for more than 100 years—is worth saving.

The second condition necessary for the restoration of Lebanon is a basic reform of the country's political system. The attempt to maintain cohesion through an artificial confessional balance—symbolized by the 1943 National Pact, which allocated six Christian seats in Parliament for every five Muslim seats—simply hasn't worked. The census figures on which that formula was based are now hopelessly out of date. Moreover, the system itself is inherently unstable, and it has served as a cover for the manipulation of power by a series of near-feudal warlords. The age of the warlords has passed, and it is time for Lebanon to make a clean break with confessional politics.

The final condition is that Lebanon maintain a measure of sanity in its relations with both Israel and the Arabs. Lebanon needs, for economic and cultural reasons, to keep its ties with the Arab world. Above all, it must coexist with the hard-line regime in Syria. But Lebanon, which was nearly destroyed during the past decade by the rhetoric of "Arabism," also needs to break free from the nonsense aspects of Arab politics. Thus a restored Lebanon should, over time, follow Egypt on the road toward political maturity by recognizing Israel and signing a peace treaty with it.

II

Like most countries in the Middle East, the nation of Lebanon is a relatively modern invention. Its current borders date to 1920, when the French, as mandatory power, proclaimed the state of Greater Lebanon. Regaining sovereignty over this territory is the first—and potentially most difficult—task in rebuilding Lebanon.

Kamal Salibi, the leading Lebanese historian, has remarked that because Lebanon's borders are so recent and its population is so diverse, "it would be difficult for a historian to speak of a Lebanese people without reserve." The cohesion of Greater Lebanon is certainly open to question. It welded together areas that, until the collapse of the Ottoman Empire in 1918, had been part of different Ottoman administrative districts. The coastal regions, dominated by Sunni Muslims, were part of the vilayets of Sidon and Tripoli

(later merged into a single vilayet of Beirut); the Mount Lebanon region, home of the Maronite Christians and Druze Muslims, was a semi-autonomous district reporting directly to Istanbul; and the Bekaa Valley, populated largely by Shi'ite Muslims and Greek Catholics, was part of the vilayet of Damascus.

The 1982 war returned Lebanon to the ragged patchwork of Ottoman times. The sovereignty of the Lebanese government was limited to the tiny area of "Greater Beirut," and even here, order was maintained only with the help of 5,000 U.S. and European troops. The rest of Lebanon was parcelled out: the Israeli Army controlled South Lebanon and half of Mount Lebanon; the Christian "Lebanese Forces" militia controlled the other half of Mount Lebanon; pro-Syrian warlords and Palestinian guerrillas controlled North Lebanon; and the Syrian Army controlled the Bekaa.

Behind the occupying armies were strong political pressures for a partition of Lebanon. Syria claims that control of the Bekaa is vital to its security, and Israel makes a similar claim about South Lebanon. Some ardent nationalists in the two countries go further, arguing respectively that the Bekaa is part of Greater Syria and South Lebanon is part of Greater Israel. These claims find some support within Lebanon itself. The National Syrian Socialist Party of Lebanon has long favored a merger with Syria, while some Christian militia leaders would be happy if Israel took the South and left the Christians free to run Mount Lebanon and Beirut. These centrifugal forces, weakening the central government's hold on the country, won't be resolved simply by the withdrawal of the Syrian and Israeli armies.

The core of Lebanon—both geographically and politically—is the region of Mount Lebanon. This is the name given to the string of peaks that runs down the center of the country like a spine, stretching from Jbail and Kesrouan in the north to the Chouf in the south. The Maronites and Druze withdrew into these mountains nearly 1,000 years ago to avoid religious persecution. To this day, the two sects exhibit the fierce, clannish traits that are characteristic of montagnards around the world.

Mount Lebanon has been a tinderbox for over 300 years. Druze and Christian warlords have periodically tried to conquer the area, often with help from scheming foreign powers. The Ottomans tried to impose peace by partitioning the region in 1843 into separate Maronite and Druze enclaves; the partition only led to worse violence. The Ottomans then imposed an elaborate formula for confessional balance; it had better success. But the outbreak of fighting in Mount Lebanon this year—as the Christian and Druze

militias prepared to fill the vacuum left by the departing Israeli Army—demonstrates that coexistence in the mountains won't be easy.

The weakness of the Ottoman Empire encouraged another worrisome Lebanese tradition: meddling by foreign powers. In their eagerness to intrigue in Lebanon, various European countries sought to establish themselves as protectors of the confessional groups. The French adopted the Maronites; the British looked after the Druze; the Austrians took care of the Greek Catholics; and Tsarist Russia protected the Greek Orthodox. Today there is similar intrigue, as the intelligence services of Syria and Israel compete for the loyalty of Druze, Sunni, Shi'ite and Christian leaders.

The Americans also came to Lebanon long ago, though in a more benign role than the Europeans. The first Protestant missionaries, known in Lebanon as the "Bible Men," arrived in the 1820s. After several decades of earnest proselytizing (and rivalry with the French Jesuits) the American missionaries founded the Syrian Protestant College in 1866. The college, later renamed the American University of Beirut, soon became the leading educational institution in the Arab world. Even Arab radicals credit it as the birthplace of "Arab nationalism."

The idealistic mission of the Americans in Lebanon was summed up in the AUB motto, carved in stone above the main gate: "That they may have life and have it more abundantly." After some early battles, including a strike by Muslim students who refused to sing hymns in chapel, the AUB gradually gave up its religious role and became an evangelist for American democracy. Saeb Sallam, a former Lebanese prime minister, recalled that at the AUB, "we were breast-fed the milk of freedom. It was at this American institution that we learned of this freedom which urged us to oppose imperialism and imperialists." There was even support for the United States to become the mandatory power in Lebanon and Syria after the collapse of the Ottoman Empire in 1918. The report of the King-Crane Commission in 1919 noted: "From the point of view of the desires of the 'people concerned,' the mandate should clearly go to America."

III

Lebanese politics were set on a wobbly course by the National Pact of 1943. Since it provided the framework for Lebanese democracy and independence from France, this agreement has

achieved the status of a constitution. But its power-sharing formula reads more like a back-room political deal.

In the Greater Lebanon created by the French, the Maronites were the largest population group, followed by the Sunni Muslims. The National Pact was, in essence, a Maronite-Sunni alliance, with concessions thrown in for the other religious groups. The Maronites claimed the Presidency; the Sunnis took the post of Prime Minister; the Shi'ites and Greek Orthodox were given the positions of Speaker and Deputy Speaker of the Parliament. The Parliament itself was established in multiples of 11, to accommodate the six-to-five Christian-Moslem ratio, and each religious sub-group was allocated a fixed number of seats. Cabinet and civil service positions were also distributed along confessional lines.

This balancing act was inevitably unstable. Moreover, by focusing on religious groups, it reinforced the feudal tendencies in Lebanese politics. The satraps of the various confessional groups could wield enormous power, and government administration was largely a spoils system. The election of the Lebanese President every six years by the Parliament became a colorful exercise in corruption.

The National Pact fuzzed the delicate issue of Lebanon's relations with East and West. It said that while Lebanon would have an "Arab countenance," it would be independent of pressures from either side. In effect, this meant that the Maronites would limit their dealings with the French, while the Sunnis would give up their dream of a merger with Syria. This was a pragmatic compromise, but it added to the confusion of identity expressed by the historian Albert Hourani: "To be a Levantine is to live in two worlds or more at once, without belonging to either."

The Americans, during the cold war years of the 1950s, were eager to steer Lebanon firmly into the Western camp. Radical nationalism, backed by the Soviet Union, was sweeping the Arab world, and Lebanon was in turmoil. The United States (which was plotting a coup of its own in Syria at the time) pushed hard for an amendment of the Lebanese constitution that would allow the pro-American President, Camille Chamoun, to win a second term in 1958. The American intrigues, as described in the recent memoir of Wilbur Crane Eveland, then a CIA man in Beirut, were almost comical: he recalls delivering briefcases full of money to President Chamoun to pay bribes during the 1957 Parliamentary election, and later safeguarding the family jewels of Mrs. Chamoun.²

By 1958, Lebanese politics were unravelling. Muslim opposition

² Wilbur Crane Eveland, *Ropes of Sand: America's Failure in the Middle East*, New York: Norton, 1980, pp. 252, 280.

to President Chamoun's bid for a second term helped provoke a civil war, and on July 15 (one day after the overthrow of the pro-Western monarchy in Iraq) U.S. Marines landed in Beirut. Mr. Chamoun, largely discredited in Muslim eyes, was replaced as President by the commander of the Lebanese Army. The 1958 civil war ended with a slogan that conveyed Lebanon's fragile balance: "No Victor, No Vanquished."

The polarization of Lebanese politics was partly a response to the Arab-nationalist crusade of Gamal Abdel Nasser. Lebanese Christians had once welcomed the movement as an alternative to Islam for uniting the Arabs. But by the 1960s, it threatened Lebanon's dual East-West identity. Some Maronites, afraid of being overwhelmed by pan-Arabism, began to look toward Israel as a model for a militant, non-Muslim state in the Middle East. Lebanese Muslims, frightened by the growing militance of the Christians, deepened their attachments to Egypt and Syria.

This explosive mix was finally detonated by the Palestinians, who emerged as an independent political force after the 1967 Arab-Israeli war. Young Palestinians rushed to join guerrilla groups, and the weak Lebanese state was powerless to stop their commando raids into Israel. There was a lame attempt to regulate this Palestinian presence in the 1969 Cairo agreement, but it collapsed when the guerrilla groups moved en masse into Lebanon after their expulsion from Jordan in 1970 and 1971. The Palestinian armed presence fostered a further radicalization of the Lebanese Christians and the growth of Christian militias—setting the stage for the 1975–76 civil war.

What is remarkable about the civil war is how little the United States and its European allies did to stop it, or to prevent the de facto partition that followed. Henry Kissinger, then U.S. Secretary of State, had a mix of other objectives: he was wooing the Syrians away from Moscow toward closer relations with the United States; he was courting the Saudis, who would have been offended by any U.S. alliance with the Lebanese Christians; and he had a useful back-channel link with the Palestinians, thanks to a covert relationship between the Central Intelligence Agency and the intelligence chief of Yassir Arafat's "Fatah" guerrilla group. It was almost as if the United States had decided that, given these other priorities, the mess of Lebanon was best left to Syria and Israel. As the United States would later discover, this was like asking two hungry alley cats to guard a canary.

The Syrians and Israelis, though bitter rhetorical enemies, shared a common set of goals in Lebanon: they wanted to protect their

own borders by establishing “spheres of influence” in Lebanon; they wanted to rebuff the troublesome Palestine Liberation Organization; and they wanted to maintain a pliant, Christian-led government. It was the Syrians who actually saved the Christians, when they intervened in the civil war in June 1976 with 4,000 troops and 250 tanks. This move drew praise from the United States, sharp criticism from the Soviet Union, and a telling silence from Israel.³

The Syrians were at first welcomed by most Lebanese. But their occupation brought a wave of brutality and corruption. The Druze leader Kamal Jumblatt was assassinated in 1977 near a Syrian roadblock; a prominent Lebanese journalist who had dared to criticize the Syrians, Selim al-Lowzi, was kidnapped and brutally murdered; theft of automobiles became so widespread that many Beirutis refused to drive their best cars. Among worldly Lebanese, the sentiment against occupation by an army composed partly of poor Syrian farmboys was expressed in a phrase muttered after crossing Syrian checkpoints: “From a donkey to a tank.”⁴

The dismemberment of Lebanon continued in March 1978, when Israel invaded South Lebanon up to the Litani River. The Israeli operation was largely a failure, because it left the Palestinians within rocket range of the northern Galilee. But it did solidify the power of Israel’s quixotic ally, Major Saad Haddad, and establish Israel’s claim to intervene in South Lebanon. Despite pleas from the PLO, the Syrians stayed out of the Litani fighting and respected an informal boundary between Israeli and Syrian zones of influence. To many Lebanese, it seemed that partition of the country was now a reality.

IV

Lebanon’s present difficulties stem partly from the fact that the man who had the best chance of putting the country back together—the Phalangist militia leader Bashir Gemayel—was murdered nine days before he was to take office as President in September 1982. Bashir combined two essential qualities for a Lebanese leader: ruthlessness and political vision. His older brother Amin, who was elected in his place, has other useful qualities, but he lacks the same dynamism.

Bashir was often dismissed in the West as a simple tool of Israeli

³ Syria later shifted its support from the Christians to the Palestinians and Lebanese Muslims after Egyptian President Anwar Sadat visited Jerusalem in November 1977. Lebanese analysts argue that Sadat’s unilateral diplomacy cut Syria out of the U.S.-led peace process and forced Syria to consolidate Arab support by ending its embarrassing alliance with the Lebanese Christians.

⁴ The Syrian occupation has produced a rich lore of anti-Syrian humor in Lebanon, often focused on the allegedly backward city of Homs. Example: “Five Syrians from Homs decided to play hide-and-seek. They all got lost.”

policy. But the story is more complicated than that. In the years after 1976, as the Lebanese Christians became disenchanted with their Syrian protectors, Bashir developed an extensive client relationship with Israel. But it was a bit like that between Israel and the United States: Israel provided the Phalangists with arms, military training and advice that was often ignored. The Phalangists reciprocated with a mix of loyalty and resentment.

At times, the Phalangist tail tried to wag the Israeli dog. On two occasions—in the 1978 assassination of the pro-Syrian militia leader Tony Franjieh and in the 1981 attempt to install Phalangist militiamen in the town of Zahle in the Bekaa Valley—Bashir provoked confrontations with Syria. He apparently hoped that he could thereby force Israel to intervene on his behalf. But the Israelis, apart from symbolic gestures, did little to help him.

By 1982, the Begin government was prepared to risk war with Syria to alter the political geography of Lebanon. Senior Israeli military officials met with Bashir in January 1982 to plot strategy. But this time it was Bashir who had other priorities. When the Israelis invaded in June, he took his cues more from U.S. diplomats (who saw him as President of a reunified Lebanon) than from the Israeli commanders. The Phalangist militia stood mostly on the sidelines, leaving to the Israelis a frustrating—and politically costly—two-month siege of West Beirut. The United States, by negotiating a peaceful evacuation of the PLO, saved the Israelis from what would have been a bloody final battle.

The ironic outcome of the 1982 war was that the United States replaced Israel as the chief political ally of the Lebanese Christians. The Israelis, having done the dirty work, quickly became an embarrassment. The transformation became clear in early September when Bashir, acting partly on American advice, refused to sign a quick peace treaty with Israel. This infuriated the Israelis, but it won Bashir new respect among Lebanese Muslims and boosted his chances of unifying the country. (One perverse sign of Bashir's growing popularity among Lebanese Muslims was their conviction, after he was assassinated on September 14, that the Israelis must have done it. Instead, the evidence points more toward pro-Syrian Lebanese.)

Bashir's death left the Phalangists in the position of a headless horseman. The immediate reaction was a frenzy of killing by a team of "Lebanese Forces" militiamen delegated by the Israelis to secure the Sabra and Shatila refugee camps. In the uproar that followed the massacre, Amin Gemayel was quickly elected President. But he had trouble controlling the wayward "Lebanese Forces" militia created by his brother, let alone governing Lebanon.

The Phalangists, as the inheritors of political power in Lebanon, are torn between their desire to rebuild the country and their desire to protect Maronite interests. The Phalange Party itself was born with a similar ambivalence. It was founded by Pierre Gemayel in 1936 after a visit to Nazi Germany, and its political roots were somewhat similar to those of the mass right-wing parties of Europe. The Party attracted uprooted Maronite peasants from Mount Lebanon who had come to the urban coastal areas and become middle-class merchants, clerks and shopkeepers. (Pierre Gemayel, for example, was a pharmacist). The radicalism of the party stemmed from its desire to purge Lebanon of the oligarchy and corruption of the great Maronite, Sunni, Greek Orthodox and Greek Catholic families who dominated economic and political life in Beirut.

The Phalangist ideology evolved during the 1970s toward a simpler crusade to defend the Maronites against the Palestinians and their Muslim allies. This led to establishment of a Maronite enclave in East Beirut and Mount Lebanon during the 1975–76 civil war. The Phalangists were relatively efficient governors: they collected the garbage, policed the streets, established municipal parking lots, and imposed local taxes. But, as the Maronite enclave prospered, it became increasingly unclear—even to many Phalangists—whether it was a launching pad for the restoration of Lebanese sovereignty, or simply one of the cantons of a partitioned Lebanon.

v

Lebanon in 1983 remains a nation of villages, without a strong sense of statehood or citizenship. Social ties spread outward—from family, village, religious group and political party—and by the time they reach the abstract level of the Lebanese state, they are weak indeed.⁵

Consider the example of Dibbiye, a small Maronite village in the Chouf area of Mount Lebanon. The Lebanese government is nearly invisible here: there are no public schools, no sewers, no municipal water system, no road maintenance, no police, and no fire department. There is nothing, in short, to command loyalty to the state. The villagers have learned the hard way that they must solve problems for themselves. Thus, when Palestinian guerrillas occupied Dibbiye during and after the 1975–76 civil war, it fell to a village leader, Dr. Naaman Boustany, to negotiate an agreement with the guerrillas that would save the village from destruction.

⁵ Dr. Samir Khalaf, a sociologist at the American University of Beirut, is currently studying the attitudes of 1,000 middle-class professionals in three Beirut neighborhoods. He says the preliminary results show strong sectarian loyalties and a "sharp polarization" of attitudes.

Later, when Christian villagers were kidnapped by Palestinian gunmen, village elders negotiated their release. In 1983, the main threat facing Dibliye is the conflict between the Christian "Lebanese Forces" militia, which has occupied the village, and the nearby Druze militia. Here again, the Lebanese government is nearly powerless. Dr. Boustany has instead appealed to lieutenants of the traditional Maronite warlords—Pierre Gemayel and Camille Chamoun—to restrain the Christian militia and protect Dibliye from Druze shelling.

The same pattern, of strong local loyalties and an irrelevant central government, can be found throughout Lebanon. Though the feebleness of the government has obviously increased during the past eight years of civil strife, it is rooted in the quasi-feudal political structure of the country.

The warlords still dominate their fiefdoms. Suleiman Franjeh, a 73-year-old former Lebanese president, controls the mountains of North Lebanon from his place in Zgharta; Rashid Karamah, a 61-year-old former prime minister, speaks for the Sunni population of the Tripoli area; Pierre Gemayel, the 78-year-old Phalangist leader, dominates the Kesrouan region from his home in Bikfaya; Saeb Sallam, a 78-year-old former prime minister, heads the traditional Sunni establishment of Beirut; and Walid Jumblatt, the 34-year-old son of Kamal Jumblatt, leads the Druze of the Chouf mountains.

Young Walid Jumblatt illustrates that the days of the warlords are passing. Thin as a scarecrow, dressed in a leather jacket and tight blue jeans, he looks more like a French graduate student than a Lebanese feudal chief. Friends say he is uncomfortable as leader of the Progressive Socialist Party founded by his father—probably the only hereditary socialist position in the world—and that he would gladly give it up.

The problem is that because Lebanese politics are frozen in a now-outdated pattern of feudal relationships, it is difficult for someone like Walid Jumblatt to simply retire from the fray. If he did so, who would negotiate the release of those who are kidnapped? Who would guarantee ceasefires between the Druze and Christian militia? Who would prevent anarchy within the Druze community itself? There is a phrase that sums up the pragmatic Lebanese acceptance of feudal politics: "It is good to be a vassal in the house of the Bey."

The solution, of course, is the development of a genuinely "national" politics, in which officials of the central government—rather than feudal leaders—are able to provide security and services for the people. Many Lebanese have been dreaming of such a breakthrough for 30 years, but their schemes have often been wishful

thinking. President Gemayel, for example, has recently encouraged study of "the computerization of Lebanon." The idea is to install a computer terminal in every Lebanese village, linked to a mainframe at the presidential palace in Baabda. This data link would allow the villages to instantly express their needs and the central government to communicate its orders. Such futuristic schemes might someday be instruments of national consensus, but they can't of themselves create it.

What is needed is a fundamental shift from confessional politics—which guarantees the role of sectarian power brokers—to national politics. The blockage begins in Parliament. There hasn't been a parliamentary election since 1972, but if one were held today, voters in the Chouf would be required to select three Maronites, two Sunnis, two Druzes and one Greek Catholic. Voters in Zahle would elect one Maronite, one Sunni, one Shi'ite, one Greek Catholic and one Greek Orthodox. The absurdity of this system is suggested by the fact that the breakdown of seats is based largely on 1932 census data. It has been deemed politically impossible to update this census for the past 50 years.

The key to political reform is the revolutionary idea of conducting a new census. To make the census less threatening to the various religious groups, it should be accompanied by modification or abolition of the 1943 formula for allocating parliamentary seats along confessional lines.⁶ The goal should be to break out of the confessional straightjacket of the 1943 National Pact. To assure a measure of stability, the 1943 formula for allocating the top jobs should be retained, at least temporarily. The President should remain a Maronite; the Prime Minister should remain a Sunni; the Parliamentary Speaker should remain a Shi'ite.

A new census will confirm what most Lebanese already know: that the Shi'ite Muslims—the most impoverished and politically powerless group in the country—are now the largest Muslim sect and possibly the largest group overall. A 1971 study found that the birth rate among Shi'ite women was 58 percent higher than among Christian women; some analysts now guess that of every two babies born in Lebanon today, one is a Shi'ite. The enormous growth in the Shi'ite population almost certainly means that Muslims now outnumber Christians. A 1975 study estimated the Muslim popu-

⁶ There are various reform proposals: President Suleiman Franjieh proposed a new "Constitutional Document" in 1976 that would divide Parliament on a 50-50 basis between Christians and Muslims; Lebanon's former Ambassador to the United Nations, Ghassan Tuéni, proposed in the Fall 1982 issue of *Foreign Affairs* the creation of a second chamber of Parliament that would be elected on a nonsectarian basis; the Druze leadership has urged creation of a second confessionally balanced house with a Druze Speaker; others have argued that all parliamentary seats should be elected on an at-large basis, with each voter allowed one Christian and one Muslim candidate.

lation at roughly 60 percent and the Christian at about 40 percent. While Christian leaders dispute these figures, many Christians privately concede that the statistical basis of the 1943 National Pact has now disappeared.⁷

Fear of recognizing these demographic facts, and of giving the Shi'ite Muslims a larger share of political power, has united the other religious groups in opposing a new census. But it is a cynical and ultimately doomed strategy, for the Shi'ites can't be suppressed forever. Lebanese history suggests that by the year 2000 a new deal must be struck: just as a Maronite-Druze alliance in 1861 helped stabilize Mount Lebanon and a Maronite-Sunni alliance in 1943 established the modern Lebanese state, an eventual Maronite-Shi'ite alliance will stabilize a future Lebanon.

The Maronites can protect their traditional role of political leadership best by leading the reform movement—by steering Lebanon away from the confessional system in which the Christians, because of their dwindling share of the population, will ultimately be the losers.

In addition to seizing the opportunity for political reform, President Gemayel can foster a national politics by establishing a strong, non-confessional army. The disintegration of the Lebanese Army in 1975 led to eight years of anarchy; the revival of the Army is necessary for restoration of order. Anyone who has known Lebanon during the years of chaos can appreciate the pleasure Lebanese feel as they look into the sky over Beirut and see Lebanese Air Force jets on training missions. More planes, tanks and cohesive fighting units will make Lebanon more secure.

General Ibrahim Tannous, the new Army commander, has made the right start. He immediately replaced 140 top officers who were judged incompetent, corrupt or too closely linked with confessional politics. He sought to develop a cadre of noncommissioned officers, the backbone of any army, by promoting youngsters who seemed to have leadership skills. He instituted rigorous physical training and the beginnings of military discipline. The real test for General Tannous will come as the Lebanese Army begins to incorporate former members of the various militias. These armed men, veterans of many bloody battles, are needed within the ranks of the Lebanese state. But if they aren't assimilated carefully, the Army could disintegrate again along sectarian lines.

The United States can make a major contribution to rebuilding Lebanon by offering training and assistance for the Lebanese

⁷ The Christian "Lebanese Front," in an effort to provide statistical support for continued Christian control of Parliament, argues that population totals should include Lebanese emigrants, even those who left the country decades ago.

military. This isn't a project for the faint-hearted. Creating a Lebanese Army of 60,000 men that can defend the country's territory is likely to take two to five years. In the meantime, American military advisors will be exposed to the same dangers as the Lebanese themselves.

VI

Rebuilding the Lebanese economy may be as delicate as political reconstruction. For, despite the entrepreneurial talents of the Lebanese, and the optimism in the West about a postwar revival, there are strong factors working against any quick economic boom in Lebanon.

The cost of economic reconstruction will be substantial. Mohammed Atallah, the President of Lebanon's Council for Development and Reconstruction, estimates that government spending will total more than \$15 billion over the next decade, and that the private-sector reconstruction bill could be as high. He said last fall that he was hopeful that 75 percent of the public-sector total could be raised from Arab and international lenders, but many other analysts are skeptical about such largesse. They note, for example, that Arab states have paid only a fraction of the \$2 billion they promised Lebanon in 1979.

The paradox of the Lebanese economy is that although the past eight years ravaged the country's physical infrastructure, they saw a large increase in the capital of the Lebanese banking sector. From 1976 to June 1982, private deposits in Lebanese commercial banks increased more than 600 percent, according to the Banque du Liban, Lebanon's Central Bank.

This apparent health was actually a product of Lebanon's decay. The banks were flush with cash because of remittances from Lebanese who had fled the country to work abroad. Between 1977 and 1981, these remittances totalled \$7.75 billion, or an average of nearly \$130 million per month, according to the Beirut Chamber of Commerce and Industry. By 1981, remittances accounted for about 45 percent of Lebanon's national income, compared to about 25 percent in the years before the 1975-76 civil war, the Chamber says. This inflow of cash allowed Lebanon to transform a regular balance-of-trade deficit into a substantial balance-of-payments surplus.

The flow of remittances, in turn, generated a real-estate boom. Property values typically rose between 500 percent and 1,000 percent during the past eight years. In some instances, the increase was even greater: a piece of property purchased in Jounie, north of Beirut, for 180,000 Lebanese pounds in 1970 was sold for three

million pounds in 1978 and resold for six million pounds last year; a plot in Broumannah, in the hills east of Beirut, was purchased for 350,000 pounds in 1977 and sold for four million pounds last year; prime commercial real estate in Sidon rose approximately 1,500 percent from 1975 to 1982. These skyrocketing prices testified to the Lebanese love of their land, and to the lack of alternative investments.

The war years also brought a flood of covert payments into Lebanon from the Arab governments that were supporting factions of the Palestine Liberation Organization and the various other armed militias. Saudi Arabia sent millions of dollars each year to "Fatah" and to the Lebanese Sunni groups; Iraq sent millions to the Arab Liberation Front; Libya lavishly financed the Popular Front for the Liberation of Palestine—General Command; Iran supported factions of the Shi'ite militia, Amal; and so it went. Though these subsidies helped turn Lebanon into a jungle, they also provided income and employment for thousands of Lebanese teenagers. The starting salary for part-time militiamen was 1,000 Lebanese pounds, or roughly \$250, per month.

The high standard of living maintained during the past eight years masked the near-collapse of Lebanese industry. The Beirut Chamber of Commerce and Industry calculates that, since 1975, 150 manufacturing plants have been completely destroyed and another 331 have been severely damaged. The Chamber also estimates that 800 of Lebanon's 1,200 textile plants and 350 of its 500 furniture plants have closed since 1975. The result, according to Adnan Kassar, the director of the Beirut Chamber, is that service industries now account for roughly two-thirds of Lebanon's gross national product.

Just as the years of anarchy brought some unlikely dividends, a durable peace would create some economic problems. First, by encouraging Lebanese expatriates to return home, it would reduce the tide of remittances that has kept the Lebanese economy afloat. Second, it would require a massive increase in public-sector spending to pay for a strong national defense and rebuilding the country's infrastructure. One Lebanese economist estimates, for example, that it will cost Lebanon at least \$6 billion through 1990 to establish a strong 60,000-man army. Financing this public-sector spending will mean a sharp increase in tax collection and the possibility—at least according to supply-side economic theory—of a corresponding decline in Lebanese entrepreneurship.

Since peace is likely to be accompanied by some normalization of relations with Israel, it could also cost Lebanon much of its trade with the skittish Arab world. An Arab trade boycott would have

significant effects: in 1980, according to the Banque de l'Industrie et du Travail, Arab countries absorbed 92 percent of Lebanon's exports. Three countries—Saudi Arabia, Iraq and Syria—absorbed nearly half the total.

There are some economists, in Lebanon and abroad, who believe that a revived Lebanon can easily revert to the economic pattern that prevailed before 1975. This is probably wishful thinking. Lebanon's prosperity in the pre-war days stemmed partly from its role as a way station for newly prosperous Arabs, who had money to spend but felt uncomfortable in London, Paris and New York. These Arabs went by the thousands to Lebanon for vacations, medical treatment, gambling and night life, and banking and investment services. Today, after eight years of increasing affluence and sophistication, the same Arabs have learned to enjoy life in Western capitals. They now have homes and investments in the West, and it isn't clear that they need Lebanon in the same way they once did.

A sensible plan for rebuilding the Lebanese economy will look forward rather than backward, and to the West as much as to the East. Declining oil revenues make the Arab world less attractive both as an export market and as a source of tourist income. Future export and tourist revenues may come increasingly from Europe and America. Western companies doing business in the Middle East—which moved to Cairo, Athens, Cyprus and Amman after 1975—may return to Beirut in large numbers. Finally, clever Lebanese bankers should be able to channel part of their enormous liquidity into productive investments in Lebanese industry and agriculture.⁸

VII

"A small country is rarely involved in an international conflict to its advantage," wrote the Lebanese historian Kamal Salibi. Recent Lebanese history certainly supports this view. But short of a new détente between the United States and the Soviet Union and a joint effort to stabilize the Middle East, Lebanon is likely to remain a cockpit for regional and superpower rivalry.

Any optimistic belief that it would be easy to rebuild Lebanon has been shattered by the events of the year since Israel's June 1982 invasion. Israel dragged its feet for months in troop-with-

⁸ Sammi Maroun, the head of Lebanon's new Council for Foreign Economic Relations, has proposed some ambitious schemes including: creation of "off-shore" companies to finance investment; low-cost government insurance protecting new investors against noncommercial risks; and creation of a regional securities and commodities market in Beirut.

drawal negotiations, and Syria, at this writing, shows no sign at all that it is prepared to quit the country. The situation is further complicated by the growing Soviet commitment to Syria, and by Moscow's desire to block the United States from establishing a stable client state in Lebanon. The Soviet-Syrian strategy seems to be to keep Lebanon in a state of hypertension—through military skirmishes and threats of all-out war—in the hope that the United States and Israel will eventually give up and withdraw, leaving behind a neutered and partitioned Lebanon.

Most Lebanese seem eager for American assistance. Even in villages behind Syrian lines, in the mountains east of Beirut, people say they hope to see American Marines on patrol soon, accompanying the Lebanese Army. What frightens the Lebanese is the possibility that the United States will prove as cynical about Lebanon as have its other would-be protectors. A top Lebanese Cabinet official, during a recent gloomy discussion about Lebanon's predicament, explained: "Lebanon is a very small, very fragile democracy. This little democracy has been kidnapped by so many S.O.B.s—the Palestinians, the Syrians, the Israelis—that it has to be very careful."

In the end, an alliance with the United States is Lebanon's only real option. The Syrians tried to control the country from 1976 to 1982 and they failed. The moderate Arabs, led by Saudi Arabia, tried to stabilize Lebanon and they also failed. The Israelis failed in their bid to make Lebanon a new client state. The Russians would love to continue meddling in Lebanon, but they have neither the desire nor the ability to create a pro-Soviet Lebanese consensus. So it falls to the United States either to help rebuild the Lebanese state or condone its partition.

The United States should proceed deeper into Lebanon only with its eyes wide open to the risks and potential costs. What is needed is a long-term commitment to save a state that might otherwise crumble, similar to the aid extended to Greece and Turkey in 1947. Lebanon's plight is nearly as serious: the country has been hostage for eight years to foreign armies and tribal militias; it is prey to terrorism supported, at least indirectly, by the Soviet Union; its economy has survived largely because of remittances from Lebanese who have fled the country; its political institutions are crippled.

The dangers of American involvement in Lebanon are offset by significant benefits. On the international level, it would demonstrate America's determination and ability to assist an ally. On the regional level, it might break the deadlock of Arab politics by

providing a model for Arab countries—such as Syria and Iraq—that are now hobbled by insecure police-state regimes. In addition, a strong and stable Lebanon would provide a measure of security for Israel that Israeli military power alone cannot impose. But establishing such a Lebanon will require years of patient effort, with the danger of another Mideast war and of superpower confrontation. If the United States isn't prepared to take these risks, it should probably leave Lebanon to fend for itself.

There is an Islamic text that has some relevance to Lebanon's situation. A wandering Arab asks the Prophet Mohammed, "Should I let my camel loose and trust in God?" "No," says the Prophet, "You should tie up your camel and trust in God."

*Barry M. Blechman
and Janne E. Nolan*

REORGANIZING FOR MORE EFFECTIVE ARMS NEGOTIATIONS

Once again there has been a long and bitter fight in the Senate over the President's nominee for Director of the Arms Control and Disarmament Agency. Like Paul Warnke in 1977, Kenneth Adelman has now been confirmed, but by such a narrow margin—and with such substantial political baggage—as to cripple his ability to manage the agency and promote its objectives.

The Adelman dispute is only the latest chapter in the agency's stormy history. Born in controversy in 1961, ACDA has been a headache for every President since John F. Kennedy. Repeatedly purged, always distrusted, criticized by its friends, savaged by its enemies, the agency has been the center of turmoil and discord for more than 20 years. These controversies reached new peaks of viciousness in the 1980s, however, and after cuts of nearly one-fourth in the agency's staff and one-half in its research budget, the firing of Eugene Rostow, the first director appointed by President Reagan, delays of two years or more in appointments to most of its executive positions, and the present director's inauspicious beginning, there is little question that ACDA is in no position to fulfill its responsibilities effectively.

The factors which have weakened ACDA's ability to serve as an effective voice for, and implementer of, the nation's arms control policies have existed since the agency's creation. They are structural in character, consequences of the ambivalence which dominated the reasoning behind, and thus the design of, the agency and its relationships with other executive organs. From its inception, ACDA was supposed to be both an integral part of the executive branch and a watchdog over its activities; a component of the State Department and an independent agency reporting directly to the

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President; a promoter of the modest idea of arms control and a partisan for the radical policy of disarmament. These contradictions are neither trivial nor transitory. They represent immutable conflicts—characteristics which can coexist only in the most artificial and unstable circumstances. Little wonder that the agency has been consistently beset by controversy.

This unhappy history raises certain far-reaching questions. Is assigning primary responsibility for the development and implementation of arms control policies to an independent agency the best way to assure success in these endeavors? We doubt it. Could ACDA, even under different political circumstances, ever have fulfilled the purposes for which it was established? We do not think so. Is there a better way to organize the government for arms negotiations? We believe there is.

The creation of a separate agency to carry out arms negotiations has only made the task of such negotiations more difficult. It has given us the symbol of arms control but not its potential benefits. The agency's problems not only reflect, but also contribute to, the controversy which surrounds arms control policy. How to limit armaments, particularly nuclear weapons, has become the most severely politicized issue facing the nation, a fact which greatly hampers negotiations and all other efforts to reduce the risk of nuclear war. We are all the victims of this political conflict: Democrats and Republicans, pacifists and militarists, nuclear freezers and nuclear advocates. That arms negotiations should be hostage to these bureaucratic and political wars is an outrage, an unspoken scandal about which public scrutiny and corrective action is long overdue.

It is time to integrate arms control with the rest of the nation's security agenda. Negotiations to limit arms are only one of several policy instruments we use to gain greater security. In this sense, arms control talks are no different than weapon programs, or diplomatic initiatives, or alliances, or economic assistance. If there is to be more rapid progress in the talks, citizens must come to understand that ACDA has not fulfilled, and cannot fulfill, the hopes and expectations which attended its creation. It would then be possible to abolish the agency, along with the myths which accompany its existence, replacing both with public expectations and bureaucratic structures better suited for the effective pursuit of arms limitations.

Conceptually, a broader segment of the population must understand that while arms negotiations potentially can result in substantial reductions in weapons, they will never lead to radical disarma-

ment—not until there are equally radical changes in the international political system. These negotiations can only attempt, in an imperfect world, to make us somewhat safer, buying time for more fundamental and longer-term policies to resolve the political conflicts which are the fundamental causes of war. To say this is not to diminish the importance of arms negotiations, only to place them in more realistic perspective.

Organizationally, we believe that four elements are necessary for the effective pursuit of arms control: a greatly strengthened component of the State Department to implement policy on a day-to-day basis; an interagency committee of principals to formulate policy and monitor negotiations; a watchdog group jointly appointed by the Congress and the President to assure diligence in these activities; and the assignment to congressional organs of certain quasi-regulatory functions now carried out ineffectively by ACDA.

To propose these changes is not to denigrate the positive contribution which ACDA, and the capable people who have staffed it, have made over the years to American security and the formulation of U.S. foreign policy. Rather, these changes are intended to permit the experience and technical expertise now reposing in ACDA to be incorporated more centrally in the agencies which actually plan and carry out arms control policy. They would permit arms control considerations to become an integral part of our overall security policy, cushioned from political winds and buffered from raw bureaucratic conflicts. They would give necessary authority and responsibility to those officials in positions to make timely decisions about arms control issues, yet assure continued attention to these matters by both the President and the Congress.

In the last analysis the effectiveness of arms control policy depends on the resolve and grasp of the President himself, on his communicating that resolve to his principal Cabinet officers and advisers, and on the assignment of clear responsibilities to them for submitting recommendations and for carrying out policy. These organizational reforms, however, would at least enable a President who cared to pursue arms negotiations vigorously, to do so more effectively.

II

When the Congress established ACDA by passing the Arms Control and Disarmament Act in September 1961, the concept of arms control was new, ill defined and suspect. The effort to institutionalize arms control as an integral aspect of national security planning

suffered greatly, moreover, because ACDA's creators were compelled to accommodate competitive constituencies in defining the new agency's missions.

ACDA stems from two principal legacies: the postwar concept of general and complete disarmament, and the incremental approach to arms limitations that emerged from nuclear test ban initiatives in the late 1950s. The perspectives and purposes associated with these two legacies have always been divergent, if not at cross-purposes. Nonetheless, their inherent ambivalence was papered over in a compromise over the agency's name, forcing an artificial merger of the modest goal of arms control with its visionary second cousin, disarmament.

Some saw ACDA as the embodiment of the initial postwar notion of how to prevent future wars: General and Complete Disarmament (GCD). By 1961, this concept had sparked some 70 multilateral conferences aimed at devising broad disarmament schemes under the rubric of the United Nations. Popular reaction to the ravages of World War II and the horrors of Hiroshima and Nagasaki had created substantial public sentiment in favor of GCD, requiring at least tacit U.S. government support for such initiatives. Within the government, however, most officials saw the approach as essentially messianic and impractical, viewing these conferences largely as a part of the struggle with the U.S.S.R. for world opinion. Even so, some ACDA supporters, including Senator Hubert H. Humphrey, hoped to capture public sentiment favoring GCD as part of the political constituency necessary to bring the agency into being.

For others, the notion of creating a separate agency for arms control grew out of more pragmatic motives. There was growing recognition in the late 1950s that the development of Soviet nuclear capabilities, dramatized by *Sputnik* and culminating in debate over the "missile gap," had irrevocably altered the basis for American defense planning and strategy. The fact that the Soviet Union could now pose a threat of nuclear annihilation to the West, a reality which no degree of new U.S. military capabilities could eradicate, spurred the beginnings of an official constituency for contemporary notions of arms control—detailed technical discussions of specific limitations on nuclear weapons, initially on their testing.

In this context, the practical rationales for according arms control a larger bureaucratic role were essentially threefold. First, because the technical and scientific expertise required to design test limitation initiatives had outstripped that available within existing government agencies, the need was seen for a new organization that could attract the necessary talent, formulate the new policies, and

see to their implementation. The ad hoc nature of arms control diplomacy during the last part of the 1950s—relying on panels of private experts, advisory committees, and special presidential advisers—had proven increasingly inadequate as the United States developed more than a passing interest in seeking controls on Soviet nuclear programs. In particular, the experience of the Geneva Surprise Attack Conference in 1959, which had foundered into stalemate in part because the United States was insufficiently prepared to deal with the complexity of technical issues, prompted support for an enhanced and more focused arms control apparatus within the government. It was recognized widely that attracting and retaining qualified personnel for these functions would only be possible if arms control officials were accorded greater bureaucratic stature.

Second, there was a desire to give arms control a clear voice within the government. This purpose proved more contentious. Developing a cadre of government experts capable of analyzing alternative proposals was one thing, but encouraging those experts to become bureaucratic advocates suggested a policy-formulation role that many officials in existing departments found threatening. This concern was especially pronounced in light of the proposal that the new agency assume the lead in the guidance and conduct of negotiations. Opponents voiced fears that the new agency would undercut the State and Defense Departments, aggrandizing its authority to the point of actually sabotaging the work of these much larger organizations.

There was further concern that ACDA's focus on arms control would mean that it would inevitably place negotiating considerations ahead of national security concerns, becoming an advocate within the government for disarmament at any price. This opinion was expressed most succinctly by former Defense Secretary Robert Lovett, who argued in congressional testimony that the agency "is going to be a mecca for a wide variety of screwballs. It will be a natural magnet for those rather uninspiring groups that have slogans 'Better Red than Dead,' 'Surrender and Survive,' or the give-up groups." Overstated, certainly, and not the viewpoint which prevailed, but Lovett represented the more muted concerns of large segments of the government and public—concerns which have plagued ACDA throughout its history.¹

¹ *A Bill to Establish a United States Disarmament Agency for World Peace and Security*, Hearings before the Senate Foreign Relations Committee, 87th Cong., 1st sess., August 14–16, 1961, Washington: GPO, 1961, p. 87.

The third major factor in ACDA's bureaucratic design was the desire to give arms control policy an autonomous channel to the President. This purpose also was controversial, but it received strong backing from leading figures in the Kennedy Administration. Secretary of State Dean Rusk, in particular, argued that the agency should have sufficient stature so that its director would have access to the President and the ability to deal effectively with other senior government officials and world leaders. At the same time, the consensus view was that the multiple interests involved in arms control—those of a “substantial political character,” as Rusk put it—necessitated that the agency's director also report to the Secretary of State. In its final version, the legislation establishing the agency reflected the pressures of compromise, giving ACDA its current hybrid bureaucratic character. The director became the “principal advisor to the Secretary of State and the President” on arms control, but ultimately was under the policy direction of the Secretary. How he could serve in both roles was left unexplained.

Despite these important pragmatic arguments for establishing a separate arms control agency, the base of popular support for an incremental arms control approach remained small. Thus, ACDA's architects could not abandon the GCD constituency during the congressional debate. On the contrary, marshalling sufficient support for creating ACDA required that such confirmed GCD advocates as the World Federalists play a central role. Unfortunately, while casting support for ACDA as a “moral imperative” may have helped to sway some congressional votes in its favor, such postures worked equally to exacerbate fears that arms control was simply a euphemism for unilateral disarmament and anti-militarism. When President Kennedy's representative, John J. McCloy, presented the draft bill proposing a “U.S. Disarmament Agency for World Peace and Security” in June 1961, most of his testimony focused on reassuring skeptics that the United States was not committing itself to unilateral disarmament. Even so, Kennedy himself is reported to have considered the eventual passage of the legislation in September as miraculous.

The series of political and bureaucratic compromises that were necessary to garner sufficient support for the agency's creation presaged the difficulties which ACDA has had in securing an effective policy voice in subsequent years. In the almost 22 years of the agency's existence, decades in which arms control has come to play a central role in U.S. foreign and defense policy, ACDA officials have spent the better part of their time and energies fighting for their bureaucratic survival. The original conflicts over ACDA's mission

and character, never resolved, continue to distort the political debate about arms control; increasingly, however, these ancient battles have become irrelevant to the real roles of arms control in the contemporary world.

III

ACDA's problems begin with its director's supposed status as an independent official reporting directly to the President. This channel was intended to assure the agency's independence and standing within the bureaucracy, and thus its ability to articulate and pursue arms control objectives forcefully and effectively. In fact, the agency's independence is illusory. Its directors have only rarely had direct access to the President, much less been the principal formulators, negotiators, or even spokesmen for arms control. Similarly, at all levels of the bureaucracy, relationships between ACDA and other government agencies have most often been troubled, a fact which severely constricts the agency's ability to fulfill its purposes. This latter problem has been complicated in recent years by congressional actions assigning to ACDA a number of quasi-regulatory functions. And finally, all these problems—unresolved for so many years—have led to severe difficulties within the agency itself.

The Director's Role

Special meetings or communications between Presidents and ACDA directors are rare, despite the legislated direct line between them. The tremendous demands on the President's time, to say nothing of the implications of such meetings for perceptions of the President's priorities within the government and among the public, assure that such private sessions occur only in extraordinary circumstances. Several other factors also restrict the director's ability to play an active role in the formulation of arms control policy. In practice, his policy-formulation role is largely derivative, depending upon the relationships he is able to establish with the three principal foreign policy officials—the Secretaries of State and Defense and the President's national security adviser—along with the administration's most senior political advisers.

The director is not a statutory member of the National Security Council, a fact which somewhat restricts his ability to participate in the formulation of arms control policy. Although legislation is currently being considered in the Congress which would correct this deficiency, in practice it would help little. Not since the Eisenhower Administration have full NSC meetings been a major decision-making forum. For the past six administrations, they have been

held infrequently, and then largely to ratify decisions taken in smaller and less formal settings. During the Carter Administration, for example, the President met weekly over breakfast with Vice President Mondale, Cyrus Vance, Harold Brown, Zbigniew Brzezinski, and one or two key political advisers, to discuss the most pressing international issues. The three foreign policy principals themselves had a weekly meal together, lunch this time, at which they attempted to resolve questions not requiring the President's intervention. None of President Carter's three ACDA directors took part in either of these sessions.

The four administrations which have had to deal with strategic arms negotiations have all set up interagency organizations and procedures to formulate positions and strategy in the talks. Although ACDA directors or their subordinates have always participated in these mechanisms, they have always been dominated by others. Henry Kissinger, for example, chaired and controlled the so-called Verification Panel, the key interagency group during the Nixon Administration; when Kissinger moved to the State Department, so too did effective leadership of the panel. Zbigniew Brzezinski relates in his memoirs how he chaired the comparable mechanism established during the Carter Administration, often using that position to frustrate the preferences of ACDA Director Paul Warnke or even those of Secretary Vance. At present, the interagency mechanisms for formulating arms control seem to be dominated by Secretary of Defense Weinberger and his subordinates, although William P. Clark, the current national security adviser, has lately appeared to play a larger role. In any event, the director of ACDA has hardly been present, much less decisive, in the Reagan Administration.

Nor has the director's putative role as principal negotiator proven feasible, at least for the most important talks, those with the Soviets on strategic weapons. Henry Kissinger's gradual undercutting of Gerard Smith during SALT I, eventually taking the most important elements of the negotiations into his own hands through the back-channel to Moscow, is well known and extensively documented. During the Carter Administration's pursuit of SALT II, the chief negotiating burden fell on Secretary Vance. Although Warnke manned the table and ironed out the details in Geneva, the crucial agreements were reached during meetings between Vance and Soviet Foreign Minister Gromyko in Washington and Moscow. Since 1981 there have been two separate nuclear negotiators—Paul Nitze, for intermediate-range nuclear forces (INF), and Edward Rowny, for strategic forces—neither of whom is the director of

ACDA. Rowny has even had the temerity to state explicitly in a memorandum that he would not take orders from Adelman.²

There are many reasons why the ACDA director has not been able to fill the negotiator's role, not least of which is the impossibility of negotiating in some foreign capital while managing the agency and participating in a wide range of additional arms control issues in Washington. More important, though, has been politics. As arms negotiations have become the subject of increasingly heated and significant political conflict, successive administrations have felt compelled to draw them into the daily purview of their most senior figures, and often of the President himself. Moreover, by virtue of their jobs alone, ACDA directors have become increasingly suspect, leading Presidents to diminish their prominence by restricting their roles.

The Congress has shared the view that arms negotiations are too important, and too sensitive politically, to be left to the director of ACDA. The key vote in the Warnke dispute, for example, came on his appointment as negotiator, not as director, a fact which almost necessitated Secretary Vance's dominant role in SALT II. The strength demonstrated by Warnke's opponents also led the Carter Administration to downgrade the ACDA director's role as the government's spokesman for arms control. Secretary of Defense Brown shouldered most of this burden, while the President's counsel, Lloyd Cutler, was given the responsibility of coordinating efforts to see the SALT II treaty through the ratification process in 1979.

Presidents have sometimes tried to deflect political pressures against arms control negotiations by appointing as directors individuals with records of conservative defense views and opposition to past agreements. Fred Iklé, the director who succeeded Gerard Smith during the Nixon Administration, George Seignious, who succeeded Warnke, Eugene Rostow, and now Kenneth Adelman all exemplify this trend. Ironically, both Seignious and Rostow came under furious attack from the right after having served only briefly at the agency. The practice is not without its costs in terms of the agency's mission. Iklé, for example, is believed to have joined Secretary of Defense Rumsfeld in early 1976 in urging President Ford not to go ahead with a treaty based on the 1974 Vladivostok Accord, a crucial decision that greatly delayed progress in strategic arms control.

² U.S. Senate, Committee on Foreign Relations, Press Release, "Committee Releases 'Rowny Memorandum' and Related Papers," March 23, 1983.

Relations within the Executive Branch

Just as the director has been unable to play the roles envisioned for him when the agency was established, the organization itself has not been able to fulfill its creators' expectations. The agency's ability to play an active policy role within the executive branch depends on access to routine intragovernmental documents and procedures, all of which are controlled by the larger and more senior departments. Even when an ACDA role is mandated by legislation—as in discussions of prospective arms sales, for instance—the agency's participation is never assured. In reality, ACDA officials must spend substantial amounts of time devising tactics and stratagems simply to learn of and take part in meetings—hardly an optimum use of their expertise.

In large measure, the degree of the agency's participation in any decision depends on the personal relationships between ACDA officials and representatives of other agencies. From an operational standpoint, dependence on this kind of informal leverage mitigates the ability and willingness of ACDA officials to articulate views which are in substantial opposition to the majority. Anyone with experience as the sole opposing voice in a group of colleagues seeking policy consensus knows that such a situation is sufficiently trying to the individual, and offensive to the collective, that it is bound to be short-lived. Over time, one either tempers objections or finds that one has ceased to be an effective contributor. In either case, the bureaucratic imperative to function as a "team player" tends to overwhelm the impulse to be a vocal opponent.

Given the continually suspect image of arms control, officials at ACDA soon find that the bureaucratic hazards of forceful challenges to consensus opinion are sufficient to propel one to professional obscurity. Instances of the directors' exclusion at key points are well known, beginning with Gerard Smith's limited role in the crucial decisions leading to the final content of the SALT I treaty. But the agency's effectiveness may be even more seriously undercut by the less visible, routine manner in which ACDA officials are excluded from the day-to-day definition of government policy. This phenomenon, which has persisted to varying degrees regardless of administration, did not even change markedly during the Carter years, despite the unprecedented priority then accorded to arms control initiatives.

Moreover, fear of such isolation imposes a pervasive tendency for ACDA representatives to forego opportunities for bureaucratic warfare, even over issues that have substantial congressional or public support. In 1970, for instance, ACDA felt compelled to modify

its initially strong support for a delay in the testing of multiple independently targetable reentry vehicles (MIRVs). This was partly a tactical move aimed at protecting the existing consensus to seek limitations on ballistic missile defenses, but also resulted from a perception that the agency would erode its own standing by fighting what was generally perceived as a losing bureaucratic battle. This kind of institutional compromise—a necessity, given the overall configuration of the national security bureaucracy—nevertheless erodes public and congressional confidence in the agency and reinforces ACDA's image within the government as an aggregate of ineffectual hand-wringers.

True, ACDA has managed to make significant contributions to U.S. arms control policy. In particular, the agency's technical and analytical support of strategic arms negotiations has been extremely important. And the agency played a decisive role in the formulation and implementation of policies that led to the 1968 Non-Proliferation Treaty (NPT). Its director during that period, William C. Foster, was the treaty's foremost advocate within the government. Still, the NPT was not as controversial a step as arms control initiatives that pit the United States against the U.S.S.R. (Interestingly, as efforts to restrain nuclear proliferation have moved onto more controversial ground, the State Department has had to play a larger role.)

Offsetting past successes are many other instances in which ACDA has been unable to carry out its institutional mandate. Moreover, the existence of this separate agency has sometimes reduced the coherence of American policy, misled foreign governments, and contributed to the public's confusion about arms control. Within weeks of his confirmation, for example, Kenneth Adelman stated to a group of European reporters that the United States would consider "a serious Soviet [INF] proposal" that included elimination of Pershing II missiles but allowed cruise missiles in numbers equal to Soviet SS-20s. This contradicted what had been the U.S. position for months, necessitating an immediate correction from the State Department.³

Regulatory Functions

ACDA's bureaucratic problems have been compounded by legislation giving it certain quasi-regulatory functions. The 1976 Arms Control Export Act, for example, requires that the director of ACDA evaluate prospective arms sales in terms of specific legislated criteria

³ *The Washington Post*, May 1, 1983.

and advise the President and the Secretary of State as to his evaluation. The director is expected to testify before the Congress as to what his advice was, even when a prospective sale was seen to carry adverse arms control implications but was approved by the President nonetheless. This legislation has resulted in a bureaucratic process which consumes time far out of proportion to its contribution to policy, much less to arms control.

ACDA's conventional arms experts, who have varied in number and expertise over the years, do review and comment upon most prospective arms transactions. As concerns the most important and politically sensitive arms sales, however, their analysis is rarely considered on a timely basis. This was the case even under the much strengthened ACDA role which prevailed during the Carter Administration. Evaluations of prospective transfers necessarily are dominated by the short-term military and political implications of approval or rejection; the arms control implications in most cases are uncertain, vague and longer-term. When ACDA's view is sought on major executive arms-transfer decisions, it is mainly to create a "paper trail" sufficient to assure the Congress that the law has been obeyed. And when ACDA officials are required to testify on arms sales, as during the 1981 debate on the sale of advanced radar (AWACS) aircraft to Saudi Arabia, they invariably avow that their views have been considered and that, on balance, the proposed weapons transfer is in the nation's interest.

Most arms sales previewed by ACDA tend to be those at the political margin, giving the agency an opportunity to comment in a fairly benign fashion. These reviews have had positive results in some instances. Alert ACDA analysts once discerned patterns of transfers of seemingly innocent technologies which in the aggregate indicated the recipient was attempting to develop offensive missile capabilities. But on the whole, ACDA has served as little more than a clearing house, sometimes approving arms sales "with caveats," which register little effect with the State Department's Office of Munitions Control or other agencies.

A second quasi-regulatory function is mandated by a 1976 amendment to the legislation establishing ACDA. Attempting to prevent the executive branch from developing weapons which complicate efforts to control arms, the legislation requires ACDA to report each year on the impact of certain weapons programs on arms control policy and negotiations. These impact statements, which are public documents, are the subject of tremendous bureaucratic friction. Obviously, no administration is going to request funds from the Congress for a weapon system and simultaneously

inform the legislators that the system would have an adverse impact on important negotiations. Thus, the legislation has led to the creation of a time-consuming bureaucratic process, having nothing to do with the actual weapon decisions, in which the government attempts to write statements which contain enough analysis to satisfy those few Congressmen who are interested in them, while not providing grist for the mill of the weapons' opponents.

Both these regulatory functions have costs beyond the time and effort wasted in the futile attempt to satisfy the terms of the legislation. The stereotype of ACDA as gratuitously in opposition to certain types of initiatives, a role which the legislation forces upon the agency, reinforces the tendency of other departments to cut ACDA out of deliberations. The correct perception that in these roles the agency is acting more as an agent of the Congress than the executive branch further aggravates the situation and feeds suspicions of ACDA's loyalties. When ACDA has attempted to fulfill these responsibilities conscientiously, the results have been bad blood that spilled into other areas of policy formulation.

Internal Problems

ACDA's continuing political problems and image as a bureaucratic dead-end greatly impede its ability to attract high-ranking civil servants. When effective bureaucrats are recruited, they tend to cut their tenure short or, in some notable instances, to be fired. A recent case in point was the two-year battle for Senate confirmation of Eugene Rostow's deputy, Robert Grey, a career foreign service officer, which ended with the Administration's collapse in the face of opposition by Senator Jesse Helms and a very small minority of the Senate.

ACDA has been the target of repeated purges and tends to undergo massive disruption after each change of administration. Wholesale firings in 1972, a purge promised by the White House in exchange for certain conservative Senators' support of the SALT I agreements, reduced top management by almost one-third. Upon taking office, the present Administration fired virtually everyone not protected by civil service status and reduced the overall size of the agency by almost 25 percent.

Civil service regulations ought to shield the agency from the worst of these travails, but actually offer little protection from politically inspired attacks. ACDA's personnel system has always been highly politicized, and the job security of the civil service can be circumvented through reductions-in-force or reclassification of positions. ACDA civil servants of both parties live in fear of displacement

following elections, which if not manifested in outright dismissal is approximated by exile to the accursed ACDA offices in Rosslyn, Virginia—across the River Styx.

These institutional problems are rooted fundamentally in political forces. They stem most directly from the image of ACDA as an antagonistic player in the policy process, meant to exert a primal opposition to defense. This atavistic misperception of the agency's role is shared by both opponents and proponents of arms control and assures bureaucratic problems for ACDA. Critics on the left, judging ACDA to be an insufficient opponent of the Defense Department, often vilify its policies as hypocritical compromises with what they see as the "enemy." Critics on the right, continuing to see ACDA personnel, regardless of the specific policies they embrace, as soft-headed Kremlin sympathizers seeking arms control at any cost, excoriate the agency and its employees at every opportunity. Even when the agency has been perceived as "hawkish," as during the second Nixon Administration, the overarching perception of ACDA as subversive remained.

IV

Suggestions for reorganizing America's arms negotiating machinery have usually coincided with a lack of progress in arms negotiations. Some have proposed integrating ACDA with the Defense Department, either as part of the Office of the Joint Chiefs of Staff or in the Office of the Secretary of Defense. Others have suggested putting responsibility for arms negotiations directly in the White House, either under the supervision of the national security adviser or, most recently, in the person of a Special Counsel.

We have considered both these alternatives but find them wanting. The first is unattractive because the potential of negotiations for enhancing the nation's security is unlikely to gain an adequate hearing within the Pentagon. The backgrounds and orientations of defense officials tend to be incompatible with the skills and experiences necessary for the day-to-day consideration of the diplomatic and political factors intrinsic to the process of arms control. Moreover, certain interests which are deeply entrenched in the Pentagon tend to see arms negotiations as threatening; while Defense can be persuaded to go along with movement in arms talks, it is unlikely ever to supply the catalyst and engine for such progress.

The second possibility, assigning responsibility to the White House, is also flawed. Whether as part of the National Security Council staff or elsewhere in the President's immediate office,

placing responsibility for arms control in a separate entity—still removed from the mainstream of bureaucratic planning—would inevitably focus political fire on what should be considered routine procedures and criteria for decision-making. Moreover, there are the difficulties which attend any assignment of routine and sustained responsibilities to the national security adviser. For one, he does not command the resources necessary to do the job; inevitably, there would be a huge growth in the NSC staff and duplication of effort. For another, and far more important, it would lead to a great increase in the diplomatic consultations carried out by the national security adviser with representatives of the U.S.S.R. and U.S. allies. Duplicating the diplomatic functions of the State Department could only lead to even greater inconsistency and incoherence in U.S. foreign policy.

Moreover, neither of these proposals deals with the need to integrate arms negotiations into an overall political strategy to enhance security. The first-order consequences of arms control are, after all, political. The primary direct effect of success or failure in arms negotiations is felt in America's relations with the Soviet Union and the NATO allies. This is not to discount the potential of these talks to influence the risk of nuclear war or the direction of particular defense programs, but simply to note that these effects are inseparably linked with the consequences of the talks for political relationships.

Strengthening the nation's ability to design and implement effective arms control policies thus requires, as a first step, more comprehensive organizational changes. In effect, we propose disaggregating the functions now assigned to ACDA by law and distributing them to more appropriate bureaucratic structures. If these changes were accomplished, the agency itself could be abolished:

1) Primary responsibility for the implementation of arms control policy should be given to the Secretary of State. Under him, enlarged and diversified bureaus of the State Department, reporting to a new Under Secretary for Security and Multilateral Affairs, would be given authority for routine activities;

2) Responsibility for the formulation of arms control policy, now nominally assigned by the 1961 Act to the director of the Arms Control and Disarmament Agency, should be recognized formally as residing necessarily in an interagency committee of foreign policy principals, operating within the NSC framework;

3) The present General Advisory Committee for Arms Control and Disarmament, a watchdog organization whose members are now appointed by the President and confirmed by the Senate,

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should be made explicitly responsible to both branches of government and tasked with reporting annually on progress or failure in arms control; and

4) ACDA's quasi-regulatory functions should be shifted to congressional agencies.

Under Secretary of State for Security and Multilateral Affairs

Under the President, the Secretary of State is the senior official responsible for the formulation and implementation of foreign policy and for the maintenance of good relations with other nations. He should be responsible for arms negotiations along with the other aspects of foreign policy, and he should have the authority necessary to carry out that responsibility, including the routine administration and support of negotiations, unencumbered by the ambiguities that have resulted from the creation of a separate agency.

Obviously, the Secretary of State cannot carry out this responsibility by himself. He will have to delegate it to a subordinate, whom we shall call the Under Secretary for Security and Multilateral Affairs.⁴ This individual would be the functional equivalent of the present director of ACDA, having primary operational responsibility for the implementation of arms control policy. To carry out this responsibility, the official would direct the negotiating teams and chair the interagency backup squads in Washington which support the negotiations. In short, although all relevant agencies would continue to participate in the various groups necessary to implement policy, their direction, coordination, and primary support would be the responsibility of the State Department.

Giving an Under Secretary for Security and Multilateral Affairs direct authority over all U.S. arms negotiators would clarify a debilitating and misleading ambiguity in the organizational structures that support U.S. arms control policies at present. During the 1972 purge of ACDA that followed completion of the SALT I agreements, President Nixon decided that the chief negotiator for strategic arms and the director of ACDA should not be the same person. This was largely to allay concerns in the Pentagon and the Congress that combining the two positions gave too much authority to the director and led to imprudent agreements. As we have noted,

⁴ The second-in-command at the State Department is the Deputy Secretary; he acts as the Secretary's alter ego. Below these two, there are at present four Under Secretaries: Political Affairs, Management, Economic Affairs, and Security Assistance, Science and Technology. The Under Secretaries typically exercise loose authority over several bureaus, the primary organizational unit within the department, most of which are headed by Assistant Secretaries—the fourth level of officialdom.

President Reagan further fractionated negotiating authority by naming separate senior negotiators for talks on intermediate-range and strategic nuclear forces. By suggesting that arms negotiators report directly to the President, and by naming senior individuals to these posts whose political standing is at least equal to that of the director of ACDA, successive administrations (and the Congress) have further reduced the agency's authority and created new sources of bureaucratic competition, leaks and policy incoherence. Paul Nitze's apparently unauthorized explorations of possible INF agreements in Geneva last summer is ample evidence of this problem, as are repeated public differences between Rowny and Washington-based officials.

Moreover, this procedure has perpetuated the myth that negotiators can have decisive impact on the success or failure of the talks. In fact, arms negotiations are nothing like the sort of bargaining, say, over the terms of a house sale, with which ordinary citizens have had experience. Negotiators are only proxies for their respective governments. They are given extremely limited bargaining room, and observers are present from all relevant agencies to assure that they do not stray from tightly written instructions. Communications with home capitals are rapid and frequent, and pass through several channels. And whatever is agreed to at the table (or in the woods) always has to be ratified in Moscow and Washington.⁵

This is not to argue that the skills of the negotiator do not make a difference; they do. But these skills pertain more to an ability to comprehend and analyze the opponent's position, and to put forth one's own country's position in a believable manner, than they do to actually eliciting changes in the other side's positions. In other words, negotiators serve mainly as scouts. No matter how persuasive they may or may not be, their persuasive powers must be transmitted through opposite numbers to decision-makers in Moscow; the substance of what they have to say is far more important than the style with which it is or is not said.

It would more accurately reflect the limited influence of the negotiators to have them subordinated to the officials directly

⁵ These references to Mr. Nitze's activity in July 1982 are not intended to suggest criticism of him. Given the apparent total rigidity of the Reagan Administration's position in the INF talks at that time, it may well be understandable that he took matters into his own hands and conducted what were at least major exploratory discussions without authority. But (as the Administration's negative reaction to his proposals may itself suggest) such explorations are likely to arouse criticism or even hostility within the key departments involved, based in part on their unauthorized character. The general practice, in our judgment, should be as stated in the above paragraph. This need not preclude the granting of express authority to explore possibilities, keeping Washington thoroughly informed and subject at all times to further instructions.

responsible for arms control policymaking and implementation—the interagency committee for broad policy guidance and the Secretary of State and his Under Secretary for Security and Multilateral Affairs, backed by interagency working groups for day-to-day direction. The President might still wish to appoint senior people to negotiating positions, to signify the importance attached to the talks and to benefit from their experience, but their bureaucratic position as subordinates of the Secretary of State should be unambiguous. Such a change would remove at least one source of inconsistency and incoherence from U.S. arms control policy.

Happily, there is no need to establish a new Under Secretary's position to carry out these functions. The present Under Secretary for Security Assistance, Science and Technology was established in 1972 to assure the State Department's control and coordination of military and economic assistance. It has rarely functioned as was envisioned, however, instead being used largely as a sinecure to reward high ranking individuals for political favors.

There is an important need for an effective individual in this position. Often in arms control issues, as in other functional questions that cut across bilateral relationships between the United States and individual nations, positions preferred by those responsible for the functional interest run counter to the interests of individuals responsible for relations with specific nations. For example, stemming nuclear proliferation often requires pressures directed at countries which export or receive certain items of equipment or materials. Country desk officers, the Assistant Secretary in charge of the regional bureau in which that country is included, and his boss—the Under Secretary for Political Affairs—tend to oppose such confrontations or pressures.

Transforming the present Under Secretary for Security Assistance into the Under Secretary for Security and Multilateral Affairs thus requires more than a change in title. The individual chosen for the job will have to be a person with considerable experience and independent standing in the field; a person senior and respected enough to serve as the kind of leader originally envisioned for ACDA—with stature sufficient to deal with other senior officials and with foreign leaders. The Secretary must then make clear that this individual is the senior person responsible for arms control matters within the Department.

The Under Secretary for Security and Multilateral Affairs would be given responsibility for, and direct authority over, three existing bureaus: Politico-Military Affairs, International Organization Affairs, and Oceans and International Environmental and Scientific

Affairs. The responsibilities of these three bureaus currently overlap those of ACDA—because the Secretary of State has had to become intimately involved in arms negotiations despite the existence of the agency, considerable duplication has developed in recent years.

Even so, the three bureaus would have to be expanded and diversified. Most individuals that serve in the State Department are foreign service officers—career diplomats who rotate between assignments overseas and posts in Washington. Almost always very talented individuals, and often experienced negotiators, foreign service officers do not ordinarily have the specialized military, analytical, or technical backgrounds necessary to support arms negotiations. It would be beneficial to train progressively more foreign service officers in arms control problems, including their technical aspects, but even so the existing bureaus would have to be beefed-up with civil service positions to accommodate larger numbers of scientific and other specialized personnel, along with military officers on assignment from the Defense Department.

There is another reason for diversifying the personnel in the three bureaus. Like any organization with a career service, the State Department has a particular view of the world which tends to be shared by most of its officers. This includes a tendency to disparage technical and weapon issues in favor of broader political considerations and, more importantly, a general bias toward maintaining good bilateral relationships, even if they can be protected only at the expense of other national objectives. Greater numbers of civil servants and military personnel are needed in the Department, therefore, not only for their specialized knowledge and skills, but also to assure that arms control criteria receive adequate attention.

Because they would not rotate to overseas posts, a larger complement of civil servants within the State Department also could assure greater continuity among the personnel supporting negotiations and help retain institutional memory. A consequence of the repeated purges of ACDA has been loss of the intimate knowledge of past initiatives which only those actually involved in an enterprise retain.

Some will argue that abolishing ACDA as a quasi-independent agency, and the loss of the director's presumed direct access to the President, means devaluation of arms control objectives. Such access is necessary, they will maintain, to assure continuing presidential attention to arms control policies and thus their high priority. In fact, assigning responsibility for arms control implementation to the State Department would make possible even more frequent

presidential consideration of arms control issues, causing them to be included in the Secretary's daily communications with the White House on a routine basis, like any other foreign policy subject. At present, when responsibility for arms control is partially outside the Department's portfolio, negotiating issues tend to be handled separately, a fact which both reduces the frequency with which Presidents address them and increases the controversy which attends their resolution when they are finally elevated to the President's attention.

Similarly, integrating ACDA with the Department of State would make possible more routine coordination of arms control policies with the Pentagon, the intelligence community, and the National Security Council. Again, each administration works out its own procedures for such activities, but the elimination of a separate agency, one whose legitimacy is sometimes questioned by the others, can only ease what is always a difficult task.

Interagency Policy Formulation Committee

This will be the least contentious proposal, as it merely ratifies what has already taken place. As discussed above, each of the past five administrations has necessarily created interagency machinery, generally within the NSC framework, to formulate and coordinate arms control policy. The dual character of the subject of arms negotiations, both military and political, assures that both the Defense and State Departments see an important stake in the objectives and strategy the United States pursues in the talks. No Secretary of State or Defense, nor certainly the leaders of the armed forces, can adequately fulfill their responsibilities without having a direct and timely say in the formulation of arms control policies. This would include the articulation of broad policy objectives and strategy, the specific approach to be pursued in the major negotiations, the timing and substance of significant initiatives and changes in existing tactics, and related matters of high policy and politics.

Other individuals also must play a central role in formulating arms control policy. The crucial importance of verification arrangements assures that the Director of Central Intelligence will have to be involved from the beginning. The major implications which arms negotiations have come to suggest for domestic politics also assures a strong White House interest in the details of arms control policy formulation.

Given the high stakes which all the foreign policy principals perceive in arms negotiations, it is simply not possible for the

director of ACDA to play the lead role in formulating policy, as envisioned in the legislation which established the agency. Particularly since the agency is charged with promoting arms control and is perceived as an uncritical exponent of this objective, other officials will not concede such an advantage. Moreover, the director would never have sufficient bureaucratic clout to implement the formulation role against such opposition, even if it were assigned to him by the White House. The agency is too small, its resources too meager, its political status too weak.

At the same time, neither can either State or Defense be given the formal lead. On too many issues, they will inevitably come into conflict, having differing perspectives on the priorities which should be accorded to the various objectives that could be pursued in negotiations. Thus, an interagency coordinating committee, under one name or another, loosely presided over by the national security adviser, has been the almost inevitable bureaucratic procedure devised to formulate arms control policy. Formalizing such arrangements would have the advantage of eliminating the misperception that arms control somehow enjoys substantive and political independence within the government, a misperception which often leads to expectations that cannot be fulfilled. It also would eliminate a continual source of interagency strife over who "controls" arms control policy.

The General Advisory Committee for Arms Control and Disarmament

The legislation which established ACDA also authorized the President to appoint a 15-member advisory committee on arms control and disarmament. Known as the GAC, this committee was intended both to assure that arms control topics remained high on the President's agenda, and to ride herd over the Arms Control and Disarmament Agency, to assure that it did not become the haven for "kooks" and "disarmers" that was feared in 1961. Under the current system, members of the GAC are private citizens appointed by the President and confirmed by the Senate.

To date, the Committee has only rarely played an active role in the formulation of U.S. arms control policy. Chaired by John J. McCloy from 1961 to 1973, it worked closely with ACDA in its early years—too closely for the comfort of agency officials who resented interference with their authority. During the first Nixon Administration, the GAC served with some effectiveness to encourage consideration of certain ideas, like a proposal to ban the deployment of MIRVs, which otherwise might have received short shrift from the bureaucracy. The GAC met regularly during the Carter Admin-

istration, but has since become moribund.

If restructured slightly, the General Advisory Committee could serve to assure that the changes in responsibilities for arms control negotiations we have proposed would not lead to diminished attention to the subject. The GAC should be made explicitly responsible to both the President and the Congress and assured of access to each on a regular basis.

Specifically, the GAC should remain a committee of private citizens, but a majority would be named by the Congress, four members by the congressional leadership of each party; the remaining seven members would be appointed by the President and not be subject to congressional approval. Members would be appointed to staggered five-year terms, to further distance them from the presidential electoral process.

The Committee's sole function each year would be to prepare a comprehensive report to the President and the Congress on arms control. It will need a very small staff to accomplish this task. The report would include a description of progress or failure in negotiations, a listing of accessions and declensions in signatories and ratifiers of existing treaties, an assessment of the current status of nuclear proliferation concerns, and suggestions for new initiatives or changes of direction in existing policies. Although the Committee would strive for consensus, provision would be made for a minority statement and footnoted exceptions to specific conclusions. The report would be prepared in both classified and unclassified versions to encourage greater candor.

Completion of the report each year would provide the opportunity for the Committee to meet with the President and to testify before the Foreign Relations and Armed Services Committees of each house. Its function would be strictly advisory; it would have no authority to formulate or implement policies. Still, the legislated requirement for an annual report would assure that at least once each year both branches of government would review the policies then being pursued, determine whether or not new approaches were desirable, and assess the performance of relevant officials. Without interfering with executive branch decision-making, it would make it more likely that arms control concerns would not be buried within the executive branch.

Quasi-regulatory Functions

The assignment of regulatory functions to the agency reflects the ambivalence with which ACDA is viewed in the Congress. On the one hand, it is expected to be an integral part of the executive

branch so as to be able to influence decisions and carry out negotiations. On the other hand, it is seen as a sort of watchdog on the other executive branch agencies to assure that arms control considerations are given their due. In fact, when it has attempted to perform both types of functions, the agency has done neither very well. Sincere attempts to carry out the regulatory functions lead inevitably to conflict with other executive branch agencies; and the resentments which result from those battles then complicate the agency's attempts to carry out its policy formulation and negotiating roles.

Replacing ACDA with an integral component of the Department of State would alleviate part of this problem. A component of the new Under Secretary for Security and Multilateral Affairs could continue to examine the arms control implications of prospective arms transfers. And this mandate could be strengthened by giving State a role in internal executive-branch deliberations on weapon acquisition decisions as well—as noted, ACDA is presently required to prepare assessments of the impact of weapons decisions, but does not take part in the decision process itself. In both cases, the State Department should not be expected to break with the Administration and share its evaluations with the Congress.

To the extent that the Congress decided that it still required independent advice on the arms control impact of weapon programs or arms sales, it could gain such analyses by assigning these functions to its own agencies. The Congressional Research Service, for example, has a competent professional staff that could easily prepare impact statements. Or, for that matter, the General Accounting Office could be given the task.

The expectation of the Congress in assigning these quasi-regulatory functions to ACDA—that a part of the executive branch would have better access to necessary information and thus carry out the task more effectively—was never realistic. No official or agency of the executive branch can provide candid public reports that differ with current policy and remain an effective member of the administration. As the Congress must authorize weapons programs and has an opportunity to veto weapon sales in any event, why not have its own agencies report on the consequences of such actions for arms control policies and negotiations?

v

One of the drawbacks of the American system of government is that once an issue becomes politicized it becomes extremely difficult

to resolve. No matter how evident the "right" answer might be, the fact that one party might gain if the other is seen to be implementing an objectively correct, but politically unpopular solution, causes both to shun the problem like the plague. We have seen a recent demonstration of this phenomenon as concerns social security reform. Although everyone knew what had to be done, it took an elaborate minuet lasting several years for solutions to be legislated.

Reforming the mechanisms through which we formulate and implement arms control policies could well present similar problems. There can be no doubt that the present system does not work well; the evidence is persuasive in the memoirs and testimony of individuals who have been involved, as well as in the continuing disarray of our policies. In itself, the fact that every new administration feels compelled to revise extensively the approach pursued by its predecessor suggests that U.S. arms control policies are not built on a solid enough foundation to assure continuity and bipartisan support. Demands by members of Congress during the MX debate this spring for a new bipartisan commission to reexamine U.S. approaches to arms control reinforce the point.

Certainly the present Administration is in no position to make changes in the organizational structures behind U.S. arms negotiations. The slightest move by President Reagan to implement changes like those suggested in this article would be seized upon by the Democrats, and even some Republicans, as compelling evidence of his Administration's continuing efforts to sabotage arms negotiations.

A new administration, however, particularly one which had campaigned on the need to revitalize and make quicker progress in arms negotiations, could easily implement these reforms. And a second Reagan Administration with a renewed mandate also could bring change about. It would naturally have to be done with the cooperation of the Congress. The leaders of both parties, as well as the chairmen of the House Foreign Affairs and Senate Foreign Relations Committees, and their relevant subcommittees, would have to be persuaded that the changes were meant sincerely, and that reform would not reduce their own oversight authority over arms control policy and its implementation.

In practical terms, one way to proceed would be to consult with congressional leaders during the post-election/pre-inauguration period. Assuming that the results of these discussions were favorable, the necessary legislation could be drafted in cooperation with congressional leaders and staff, and tabled at the opening of the

new Congress. Once the legislation was passed, the new Under Secretary would review agency personnel to determine who should be brought over to the State Department.

Alternatively, a less direct approach could be tried. A joint congressional/executive branch commission could be appointed to examine the many existing proposals for reforming arms control policymaking. If such a commission reached conclusions similar to those expressed in this article, it might facilitate formation of the consensus necessary to pass the needed legislation. Indeed, such a commission might then be converted into the new GAC.

Abolishing ACDA would not be without its costs. The Soviet Union, for instance, can be expected to make much of the change internationally, pointing to the move as evidence of the warlike intentions of the United States. This complaint need not be taken seriously, however. The U.S.S.R.'s own institutions for planning and implementing arms negotiations leave almost all power in the hands of the Soviet military. The closest the U.S.S.R. comes to having an arms control agency is a division of the Foreign Ministry, an organizational scheme not dissimilar to that suggested here. Conceivably, some of our European allies might also worry about the implications of the change but, for the most part, European governments are likely to see it as a healthy move toward closer correspondence of negotiating positions with the requirements of foreign policy.

A more serious concern will be raised about the implications of these reforms for the ability of those who support arms control to implement their policies within the bureaucracy. It is the case that the existence of a separate arms control agency serves to offset, to some extent, the very conservative positions on negotiating issues sometimes adopted by the Defense Department. When the Pentagon advocates an extreme course, "A", and ACDA puts forth an equally extreme, if opposite course, "C", then the Secretary of State's support of the middle course, "B", looks more like a consensus position than if "B" were considered only in opposition to "A". When the Secretary of State and the director of ACDA, or their subordinates, have similar perspectives and good personal relations, this sort of bureaucratic game can be, and has been, played deliberately. To our minds, however, this minor bureaucratic advantage is a price well worth paying for the greater coherence and effectiveness which would result from the proposed reorganization.

VI

In evaluating these proposals, one crucial caveat should be kept in mind. Organizational arrangements, no matter how carefully

constructed, cannot guarantee sound and effective policies; indeed, they can only facilitate better decisions to a limited extent. Formal relationships among the various sub-units of an organization provide only the framework within which policy is made. More important in determining decisions are the priorities of the organization and its leadership, and the skills and personalities of the individuals filling the boxes on organizational charts. Anyone who has worked in a large organization is aware of individuals who have exercised power and influence far disproportionate to their formal positions, as well as those for whom official position was only a sinecure.

In the end, the ability of any administration to achieve meaningful arms control agreements depends on the President's goals, the priority he assigns to arms control policy, and the knowledge and skills of the individuals he appoints to key positions. The changes we propose would provide no panacea to the disarray in U.S. arms control policy and no guarantee of success. They would, however, make it somewhat easier for officials to conceive and implement effective policies, by assuring some protection for arms negotiations from political tides and by facilitating the integration of arms control with other instruments of U.S. security policy.

The creation of a separate agency to formulate and implement arms control policy has permitted administrations to pose as devoted champions of arms control but not helped them to become its effective advocates. It has concentrated political attention on technical issues better handled by competent specialists. It has turned debates about modest agreements, with only limited potential for either good or evil, into raging moralistic struggles for the nation's soul. It has contributed to illusions of what arms negotiations can or cannot accomplish even under the best of circumstances, raising fears and suspicions in some quarters, dashing expectations and creating cynicism in others. What it has not done is lead to effective constraints on nuclear weapons and continuing reductions in the risk of nuclear war. It is time for a change.

COMMENT AND CORRESPONDENCE

EUROPE AND THE PENTAGON

To the Editor:

Andrew Knight of *The Economist* in London, writing in your *America and the World* 1982 issue, seriously distorts the policy of the Department of Defense. As President Reagan's Secretary of Defense, my responsibility is to be thoroughly familiar with the President's military and defense policies, and I am charged with executing them.

Mr. Knight writes (at p. 524) that "at the heart of Mr. Reagan's Defense Department" are those who "with justified contempt for European confusion, and heavily supported by a populist isolationism, are ready to detach America's nuclear deterrent and its freedom to act by putting both to sea," i.e., in submarines. I cannot sufficiently stress that this is not Department of Defense policy, nor is it President Reagan's policy, nor has it ever been our policy. Nor are there people "at the heart" of the department who hold or express such views.

At every opportunity I have emphasized, because I strongly believe, that a strong, dynamic transatlantic relationship is the key to the security of the Free World. Strategically, politically and culturally—Europe and the United States are linked. Because my staff and I have repeatedly stressed our support for continued, full U.S. support for NATO, it is significant that Mr. Knight cites no DOD public statement to support his allegation of isolationism "at the heart" of the Defense Department.

Deeds, not words, prove our intentions toward NATO. I am distressed, therefore, that he has not only not cited any words, but he has ignored the many steps already taken by the Reagan Administration to strengthen NATO's deterrent: nuclear and conventional. Rather than moving our nuclear deterrent to sea, as he claims, President Reagan has fully supported the deployment on schedule of the Pershing II and Ground Launched Cruise Missiles (GLCMs) in Europe. Despite anticipated political opposition, our NATO allies remain in full agreement with us, for they realize that U.S. intermediate-range nuclear forces offer the only counter to the more than 351 SS-20s the Soviets have already deployed.

The huge power of the Soviet and Warsaw Pact military forces facing Western Europe make it imperative that NATO conventional forces be backed by a nuclear deterrent. For that very reason President Reagan rejected the call by former Defense Secretary Robert McNamara and others for a "no first use" policy. Such a declaration might be politically expedient; but as Secretary of Defense I could never advise abandoning a commitment essential to deterring attack on our NATO allies.

We have equally resisted other political pressures to weaken our commitment to NATO. The Defense Department has, for instance, responded to those advocating a reduction in the U.S. forces assigned to a forward defense. "Bringing the boys home" may appeal to the populist isolationism mentioned by Mr. Knight—but that isolationism is not in the Defense Department, as Mr. Knight might have discovered by talking with the leadership here, or even examining

our record since January 1981. We know that our fate is too closely tied to that of our European allies to permit the luxury of isolationism.

I recognize that some in Congress have criticized the forward deployment of our troops in Europe for political or fiscal reasons. We have no intention whatever of giving way before such criticism: forward deployment is too important to NATO's defense. It permits full integration and coordination with Allied forces in peacetime. It also makes American forces immediately available in concert with our Allies in war. Since forward-deployed forces are the most visible proof of U.S. commitment to the common defense, they not only provide credibility but also the capability for full U.S. participation in the protection of Allied territory.

Rather than weakening our commitment to NATO, as Mr. Knight suggests, I have recently taken specific steps to bolster the effectiveness of our forward-deployed units in Europe. In April I requested from Congress funds both for the U.S. contribution to POMCUS (pre-positioned military matériel) and for host-nation support in the event of war. Both are initiatives taken by the Defense Department in concert with our Allies. They are the most recent examples of the many prudent, rational measures we are taking to enhance NATO's security.

Mr. Knight cites our reservations about one project—the pipeline—as evidence of “anti-Europeanism” in the Defense Department. I would have been remiss as Secretary of Defense, however, had I not warned of the strategic implications—for the United States as well as for NATO—of a project which could provide the U.S.S.R. with \$8 billion in hard currency each year, the great bulk of which will be immediately put to offensive military purposes by the Soviets.

Our modernization of our defense forces demonstrates our continuing commitment to NATO; our arms reduction initiatives are aimed, no less, at securing lasting peace in Europe. President Reagan's unflagging efforts to eliminate all INF weapons in Europe—the “zero” option—have certainly not stemmed from isolationist sentiment. Rather, we recognize that NATO is our principal hope of preserving the basic, shared values of Western civilization. I am aware, as is every senior official of the Defense Department, that there is no more effective movement for peace than NATO. We will continue doing everything possible to ensure that our Western Alliance remains strong, thereby guaranteeing peace for future generations.

The bonds between the United States and Western Europe are too important to be treated lightly, either by authors or policy makers. Much of the misunderstanding and strains so frequently asserted as weakening NATO could be eliminated if those who write about the Alliance checked their facts thoroughly and asked the people best able to report the real attitudes and policies of the Defense Department.

CASPAR W. WEINBERGER
*The Secretary of Defense of
the United States
Washington, D.C.*

Mr. Knight replies:

Mr. Weinberger's letter is both sad and encouraging.

The sad bit is how little time a busy Secretary of Defense evidently has for reading. In the sentences immediately following the passage Mr. Weinberger

objects to, I pointed out that the hawks in the Defense Department: "would respond well to a Europe that grasped the essence of . . . the growing preference in Mr. Reagan's Washington for improved conventional readiness backed by modernized intermediate weapons A cautious, responsible Europe would be able to stem [such isolationism], since Mr. Reagan's hawks will not spurn a cautious, responsible line of defense (besides which several of the hawks, starting with Mr. Weinberger, are natural Anglophiles and Europhiles)." I then went on to point out the danger of a "dazed and irresponsible" Europe taking actions that would persuade this or future Administrations to "seek the security of America's two oceans."

As for evidence, the Secretary knows as well as I do that more than one of his present senior associates, at the "heart" of the department (Mr. Weinberger is its head), were uncomfortable with the early 1981 endorsement by the Reagan Administration of NATO's 1979 twin-track INF decision. Several of them suspected the Geneva negotiations and would have preferred offsetting the SS-20s with more force at sea, where it would be free of European politics. These doubters were persuaded to swallow their worries about strengthening the coupling between Europe and America by means of INF. Europe, I argued, should not be made so panicky as to confirm them in their original view—which (and I have confirmed this since talking to Mr. Weinberger) some of them still entertain.

I cannot find anywhere in my article any suggestion that the Defense Department was showing its "anti-Europeanism" in its arguments against the Soviet gas pipeline. Those words which Mr. Weinberger accuses me of simply do not occur in the article you kindly published. Nor does the sentiment.

Here, too, my argument was the reverse: the DOD, I wrote, was part of "a formidable Washington alliance against the pipeline." But State and Defense were split over the pipeline so, as I described, "the minimum was done to stop it" at a time when it might still have been stopped. Earlier American opposition to the project might not have been as counterproductive in Europe as was last winter's belated campaign.

The encouraging bit of Mr. Weinberger's letter is its general message about the Alliance: this endorses many previous official statements and actions, as Mr. Weinberger rightly describes. Bravo. The Secretary should make sure that others at the heart of his department support him; and Europeans must make sure they do nothing to help tip the debate in Washington back the other way.

YELLOW RAIN

To the Editor:

It is astonishing to be forced to send a defense of the illuminating power of doubt to a scholarly journal. But the assumption that all is clear and final with respect to use of chemical weapons, including biochemical toxins, in Southeast Asia and Afghanistan runs right through the article, "'Yellow Rain' and the Future of Arms Agreements," by Robert L. Bartley and William P. Kucewicz in your Spring 1983 issue. This illusion of a substantially doubt-free situation must be dispelled.

On April 15 and 16 this year, I served as chairman of an international conference in Cambridge, Massachusetts, on "Yellow Rain: Findings and Assessments." The conference was sponsored by the American Academy of Arts and

Sciences, the Program in Science, Technology and Society of the Massachusetts Institute of Technology, and the Institute for Foreign Policy Analysis, affiliated with the Fletcher School of Law and Diplomacy of Tufts University.

The other convenors of the conference were Professor Matthew S. Meselson of Harvard University and Stuart Schwartzstein of the IFPA. Participants included scientists specializing in botany, zoology, biochemistry, medicine and epidemiology.

Although the convenors' views diverge about whether biochemical toxins are being used in Asia today, in contravention of the international agreements of 1925 and 1972, they shared a common concern with what kind of chemical or biological warfare is being waged, and the view that the issues should be addressed in a serious way. The convenors were convinced that science is advanced by a continual willingness to reexamine evidence, as long as there are unresolved problems or ambiguities.

As chairman of the conference, I write to inform your readers that one of the chief conclusions of the assembled experts was that serious scientific questions remain to be answered.

An important array of unresolved questions deal with whether factors in the natural environment explain the repeated observations of what has been called yellow rain. Why have yellow leaf-spots, associated with reports of yellow rain concurrent with air attacks, also been found in Bangkok, well outside the combat zone? Why are yellow-rain reports in Southeast Asia associated chiefly with the close of the dry season? Why are the yellow-rain spots studied by Western experts loaded with a wide variety of pollens of types judged more likely to have been gathered and excreted by bees or other insects than to have been airborne? Why do the yellow spots from different sites contain substantially different kinds of pollen grains?

A second class of questions relates to the finding of biotoxins called trichothecenes in samples of blood, urine and tissue taken from humans in refugee camps along the Thai borders with Laos and Kampuchea. How can their presence be explained, often weeks after the time of a reported attack, when the evidence of animal experiments shows that such compounds are metabolized within hours? Could the toxins result from contamination of food supplies by naturally occurring fungi that produce mycotoxins? Could the disease symptoms of refugees in Indochina be attributed to combinations of diseases endemic to tropical Southeast Asia? Could the stresses of fleeing from a combat zone, including disruption of normal diet and family life, increase susceptibility to such diseases? What effects could be expected in humans from the trichothecenes? Does the lack of reports of trichothecene-caused disease in Southeast Asia, in contrast to northern temperate zones, mean that such diseases are not occurring naturally in Southeast Asia?

The conference made specific recommendations for more systematic collection and analysis of human and natural-environment samples to help resolve such questions. There was strong emphasis on what are called "controls," that is, samples from areas well away from the war zones, in seasons throughout the year, and from people who were not exposed to air attacks.

Those attending the conference heard much discussion of possible military advantages from use of chemical warfare agents, including biotoxins, in so-called "low-intensity," guerrilla-type conflicts. These advantages were held to include ease of manufacturing large quantities, difficulty of distinguishing effects from natural causes, and usefulness for clearing populations from remote regions

difficult to control by more conventional military force.

All attending the conference were disturbed by the fact that the Soviet Union, Afghanistan, Laos and Kampuchea did not admit U.N. personnel investigating the reports of biotoxin use in warfare. This behavior greatly increases the difficulty of resolving these issues. However, we are not relieved of the responsibility of answering scientific questions.

Justified concern with many aspects of Soviet international behavior does not dictate an uncritical acceptance of reports of chemical and biochemical warfare that still have an incomplete factual basis.

Skepticism is a rather important trait in the conduct of affairs of state. Bartley and Kucewicz show little of it. Instead, they build a vast structure of distrust of all attempts at arms control on reports whose basis is still under investigation. The evidence clearly does not support the degree of certainty that they posit.

CARL KAYSEN

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To The Editor:

I was amazed and angered by the following two sentences from “‘Yellow Rain’ and the Future of Arms Agreements,” by Robert L. Bartley and William P. Kucewicz (on page 814 of your Spring 1983 issue): “Gene Lyons, a freelance journalist who had written previously on chemical warfare, wrote on the op-ed page of *The New York Times* that ‘yellow rain’ might be a ‘CIA hoax.’ The urge to dismiss the gathering evidence reached absurd lengths.”

In fact I wrote nothing of the kind. I didn’t even imply it. The article in question appeared on March 3, 1982. Its occasion was a curious statement by then-Secretary of State Haig that while the Soviets were undeniably guilty of “yellow rain” atrocities, they might not have broken the 1972 treaty in which they and the United States had agreed to renounce biological warfare. I found that bewildering (as I do your authors’ neglecting to mention it), wondered as a result whether U.S. officials really believed their own charges, and went on to a too brief discussion of why many biological warfare experts outside the government remained dubious of State’s case. I mentioned the CIA exactly twice: once to say that it told a House subcommittee in 1980 that it could not confirm Soviet use of poisons in Afghanistan (it suspected tear gas); the other to point out that of the H’mong refugees who spoke of “yellow rain,” “most if not all . . . [were] former allies in the CIA’s ‘secret war’ in Laos.” That, of course, is a matter of fact. Several paragraphs followed, all but one devoted to what biochemists and chemical warfare specialists outside the government had told me and other journalists about tricothecene mycotoxins—quite at odds with what the State Department was saying. Then came my conclusion, as follows: “We have all been victimized by intelligence hoaxes too often to accept such shaky evidence on faith. If the Administration wishes to be believed, it will have to do much better.”

I meant exactly that. No more and no less. As it is not my habit to indulge in unbuttoned speculations of the sort Bartley and Kucewicz attribute to me, I shall refrain from wondering where the phrase “CIA hoax” came from. The “yellow rain” issue is, I agree, a grave one. Indeed, as your authors should have been aware, I did an extensive review of Sterling Seagrave’s *Yellow Rain*—written before, but published after, the *Times* piece—in the March 15, 1982, *Inquiry*

magazine. "Given the seriousness of the matter . . .," I wrote, "the State Department and the Reagan administration have been, if anything, underplaying the significance of their own charges. Why bother to negotiate arms agreements with the Soviets at all, one might well ask, if they violate them so cynically, so viciously, and on so small a pretext? The Russians could squat on Asian peasants forever without using poisons."

Before reaching so dire a conclusion, though, some would want to see the firmest kind of evidence. Atrocity stories are an inevitable product of war. Charges of chemical/biological attacks—hard to prove, impossible to disprove—do make good propaganda. During the Korean War, some will recall, China charged the United States was dropping disease-infested fleas on North Korea and produced "confessions" from captured pilots. (Though the charges were false, it is true that the U.S. Army Chemical Corps was at the time pushing germ warfare very hard as a cost-effective way to exterminate Asian communist "hordes.") But the Seagrave book is almost comic in its ineptitude. As the word "hoax" is in the air, I do find it surprising that State would describe as "instrumental" to its case against the Soviets (and Bartley and Kucewicz cite approvingly) a book that claims that "the famous Nixon ban [on biological weapons] turned out to be just another part of the intricate Watergate hoax. The Nixon ban was a fake. And the only difference between Washington and the Hindu Kush in the end is that in . . . Afghanistan you know your enemies." Seagrave offers no proof for this remarkable allegation. Nor has he anything to say about "yellow rain" that could not have come from the newspaper. Though his book hints at heroic investigative reporting, an interview Seagrave gave *The Washington Post* makes it clear he based his case, in great part, on a classified report by somebody at Fort Detrick—exactly where any U.S. government biological warfare "hoax" would originate, if he had any evidence at all that there was one. But he hasn't.

Neither, I repeat, have I. Indeed I cite the Seagrave book only to show the kinds of evidence the authors find persuasive when it agrees with their contention that the case against the Soviets is closed. Other kinds of evidence get different treatment. Bartley and Kucewicz mention the skepticism of Matthew Meselson of Harvard and Julian Perry Robinson of the University of Sussex, the West's leading academic experts on chemical and biological warfare. But they don't tell us in any detail why these men are doubters, preferring to quote newspaper editorial writers and leave readers to imagine that the scientists have recanted. To my knowledge they have not. Bartley and Kucewicz quote an early State Department assertion that tricothecene mycotoxins are not indigenous to Southeast Asia, when in fact there is plenty of reason to suspect they may well be. (*Science* magazine reported in October 1981 in a "yellow rain" piece that researchers from the University of Maryland had found levels of the toxin several times higher than those of the State Department samples on a Brazilian shrub.)

All this, as I say, I found surprising. So my curiosity was aroused by Bartley and Kucewicz's mention of a London *Observer* article of March 6, 1983, that they said showed "persuading opinion among the Allies may take more time . . . [and] may require repeating all of the hesitations and mistakes that marked development of U.S. opinion." I took the trouble to look it up. What I found simply astonished me. Written by Peter Pringle in Washington, here in part is what it said:

Australian scientists have charged that samples of leaves and pebbles said to have been contaminated with "yellow rain"—toxic chemicals allegedly dropped by the Soviet Union in Indo-China—are fakes.

British government scientists are said to have found similar startling evidence on samples they have analysed

The Australian samples, apparently collected under U.S. supervision from . . . Thailand . . . were given to the Australians in April last year.

After exhaustive tests in the Australian Defense Department laboratories, scientists concluded they had been hoaxed: the samples apparently contained no harmful poisons and were composed mainly of yellow pollen grains "glued" together with an unidentified binding substance.

Only two possibilities, it seems to me, exist here. Bartley and Kucewicz are either very bad reporters or simply propagandists. I leave it to readers to decide which.

GENE LYONS
General Editor
Newsweek
Little Rock, Ark.

Messrs. Bartley and Kucewicz reply:

It is certainly understandable that the initial reports of "yellow rain" attacks would be greeted with extreme skepticism, as were the initial reports of the Holocaust during World War II. The events described by the H'Mong were ghastly to believe, and raise deeply disturbing questions about the character of the current Soviet elite. And as a blatant violation of existing arms control agreements, the outbreak of chemical and biological warfare raises doubts about the viability of the whole arms control process.

Early on, Matthew Meselson (whose views are here represented by Carl Kaysen), Gene Lyons and a handful of others prominently voiced these understandable doubts. It is less understandable that they continue to seek to justify these initial reactions, and in the long run this will prove no service to their own reputations. For by now they are forced to deny or ignore a massive body of interlocking evidence.

Without repeating our entire article, the evidence now includes: extensive compilations of refugee testimony by two Administrations; corroborating accounts collected by the U.N. investigation team and a number of journalists who have toured the refugee camps; autopsies by a CIA physician of corpses of "yellow rain" victims showing evidence suggesting a small molecular-weight toxin; the matching of most of the symptoms reported by the H'Mong with symptoms of trichothecene poisoning reported in obscure medical literature; the identification of high levels of trichothecenes in samples taken from the site of the CIA autopsies; positive tests for trichothecenes in numerous other samples including one analyzed under the auspices of ABC News; the identification of trichothecene metabolites in the blood of victims of the attacks; government tests of trichothecene inhalation and possible dispersing agents producing results that even more nearly match the symptoms reported by "yellow rain" victims; and the capture of Soviet gas masks from Afghanistan that are contaminated with trichothecenes.

By the standards of practical men, which is to say the standards that apply in statecraft and military science, this evidence is as persuasive as could ever be reasonably expected. It has in fact persuaded not only the Reagan Administration, but such Congressmen as Jim Leach and Stephen Solarz. It seems to have persuaded the NATO governments; a communique from the December 1982

meeting of foreign ministers expressed grave concern over "strong evidence" of the use of chemical weapons. Since our article was published, the Carnegie Panel on U.S. Security and the Future of Arms Control has reported that: "The evidence of Soviet violations is persuasive, if not absolutely conclusive, and Soviet unwillingness to deal with the charges seriously is further evidence of, at least, an indifference to compliance issues." The panel called the matter "a political time bomb under all future arms control agreements."

None of this is to say, of course, that every conceivable scientific question has been answered, or that every single sample has tested positive. There are indeed scientific mysteries remaining. Mr. Kaysen identifies one of the most important in remarking on the unexpectedly long retention of trichothecenes in the body; this bears importantly on the possibility that trichothecenes may be implicated in the "sudden death" syndrome experienced by Southeast Asian refugees in the United States. We certainly agree that there remains plenty here to keep the scientists busy.

We chafe, however, at accepting the recent Kaysen-Meselson-Schwartzstein meeting as the ultimate arbiter of this issue. To begin with, the sponsors rejected our repeated requests that it be opened to the scrutiny of the press and public. We had not been aware that secret proceedings were the mode of scientific or public policy inquiry preferred at the Massachusetts Institute of Technology. As best we can determine, Mr. Kaysen's report of the outcome is narrowly accurate—the assembled scientists agreed on the need for further research. This is totally unsurprising, and totally unilluminating on the public policy issues involved. We look forward to reading the summary of the proceedings, but we are totally certain that a number of those attending will feel badly used indeed if their presence is interpreted as any sort of an endorsement of the notion that serious doubts remain that people in Asia are being killed by chemical and biological weapons.

Mr. Kaysen and Mr. Meselson are rather coy, of course, about whether they mean to deny this central fact. This is a serious matter. It is not a squabble among microbiologists, nor is it merely a matter of one article in this journal. The President and two successive Secretaries of State have charged that the Soviet Union is violating arms control agreements. Mr. Kaysen is of course quite entitled to deny the U.S. government's official position, but if he wants to do this it would be helpful if he said so directly. If he does not want to deny the State Department charges, what is the purpose of his letter? Is he merely writing to say that not "everything" is clear, something which no one has said? What is the relationship of these scientific conjectures to the decisions that diplomats and military planners face in the wake of what has happened in Laos, Cambodia and Afghanistan? After all, no amount of scientific conjecture about the natural incidence of trichothecene-producing molds in tropical Asia quite explains the horrifying refugee reports, the contaminated gas masks or the corpses.

The hypothesis that the whole thing is a CIA hoax, by contrast, at least has the virtue of offering an internally consistent explanation of the body of evidence. We did misquote Mr. Lyons; the words "CIA" and "hoax" do not appear seriatim in his *New York Times* article. For this carelessness we apologize. But then, the article does conclude with the suggestion of an "intelligence hoax," and its only indication of a possible perpetrator is in the sentence, "Nobody claims to have witnessed the use of trichothecenes except tribesmen in refugee camps in Thailand, most if not all of them former allies in the C.I.A.'s 'secret war' in Laos." Quotation marks aside, we do think that CIA hoax is a fair reading

of the meaning of these words. Mr. Lyons' amazement that we took his article that way surely must have been diluted by the two letters to the editor the *Times* published in response to his article. Both of them understood his meaning precisely as we did, and indeed one of them said that Mr. Lyons would have us believe that "this whole matter is a C.I.A. hoax."

The original text of the Australian report is now available. Their scientists found that the samples they examined contained no identifiable toxins, and were in fact pollen of two types—one probably collected from rain-forest trees and the other from cereals and weeds. They excluded any possibility this was a natural occurrence, and concluded the pollen had been applied by brushing or spraying. They added, "The reason for their fabrication can only be guessed at; monetary gain, desire to ingratiate oneself with authority, or as a disinformation campaign."

The first two of these would of course be perpetrated by the local inhabitants, but in the commonly understood usage, disinformation about "yellow rain" would be practiced by the Soviets or their allies. And indeed there has been at least one other report of apparent pollen-spraying, in which an unmarked, single-engine plane sprayed the Thai village of Ban Sa Tong with yellow powder in February 1982. No major medical symptoms occurred and Thai authorities dismissed the incident as a ruse, though a Canadian epidemiological team later recorded an outbreak of symptoms consistent with a mild case of the effects reported from chemical attacks.

In assessing the importance of the Australian report, it should be remembered that as early as March 1980, Prime Minister Fraser told the Parliament that the evidence indicated that the Soviets are using chemical warfare in Afghanistan. The 1982 report twice cautions that the finding of a fake sample proves nothing about whether mycotoxins have in fact been used as warfare agents. In case the meaning of these words might be missed, in releasing the report Foreign Minister William G. Hayden said that the analysis relates only to one set of specimens, and that "It does not necessarily follow that all so-called 'yellow rain' charges have been disproved by these findings."

An Australian analysis used in precisely the way its authors and sponsors warned against, closed scientific meetings, the parading of scientific conjectures to obscure the public policy issues at stake—all of this together detracts little from a conclusion that, as Under Secretary of State Lawrence Eagleburger has recently written in *The Washington Post*, is based on "thousands of pieces of mutually corroborative evidence." It is time the debate moved beyond the narrow factual question, and to the implications: whether, as we believe, "yellow rain" brings arms control at least temporarily to a dead end—pending a significant change in Soviet attitudes and Soviet behavior; or whether, as the Carnegie Commission reported, further agreements can be contemplated if enough care is taken with verification. This is a serious issue worthy of serious men.

We must say, however, that the Kaysen and Lyons letters have deepened our doubts. In our original article, we dwelled on the points Fred C. Iklé raised in these pages in 1961. If a closed society violates an arms control agreement, how can an open society generate the political consensus necessary to implement sanctions that might deter further violations? To have the simple factual issues dragged through the arena at this late date, even by some previously thought of as authorities in the field, illustrates the point. If this society cannot agree that "yellow rain" is an arms control violation, we stand warned that there is little meaning indeed in any arms control agreement with a totalitarian power.

RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

John C. Campbell

LES ALLIANCES DANS LE SYSTÈME MONDIAL. By Charles Zorgbibe. Paris: Presses Universitaires de France, 1983, 259 pp. Fr. 135.

Drawing on a plenitude of examples from the days of Ramses II to those of Henry Kissinger, a prominent French jurist and specialist in international relations investigates the pathology of alliances and regional systems. Much of the effort is an exercise in comparison and classification, well done but not particularly novel, but in time the author comes to a keen analysis of the two "holy alliances with a global vocation," NATO and the Warsaw Pact, which is interesting for its specific concern with the interests of Europe that do not coincide with those of the big two.

THE FOREIGN POLICY PRIORITIES OF THIRD WORLD STATES. Edited by John J. Stremlau. Boulder (Colo.): Westview Press, 1982, 174 pp.

The authors' avowed effort to provide an appreciation of the international behavior of Third World countries is at least moderately successful although necessarily partial and uneven. Generalization over so wide a field tends to lack the bite of reality, but there is much here, in the concentration on the themes of security and development, to stimulate thought and further research, and perhaps provide some indirect advice for Third World politicians.

THE UNITED NATIONS AND THE CONTROL OF INTERNATIONAL VIOLENCE. By John F. Murphy. Totowa (N.J.): Allanheld, Osmun, 1983, 212 pp. \$32.50.

An international lawyer's essay on the inadequate efforts of the international community, through the United Nations, to maintain security in a world which has experienced many wars, and a growing plague of political assassinations and terror, in the years since the Charter was adopted. The case histories are well known and presented only in brief outline. The general conclusion is also familiar: the institutions and the means are there but are of no avail if the members of the U.N., especially the superpowers, will not use them.

THE INTERNATIONAL DIMENSIONS OF HUMAN RIGHTS. Edited by Karel Vasak. Westport (Conn.): Greenwood Press, 1982, 2 vols. \$55.00.

This UNESCO project, billed as a legal treatise, is made up of a series of separate contributions by legal experts of many nations from the First, Second and Third

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Worlds. It contains an immense amount of useful material on the growth of human rights law and on how international and regional institutions, national governments and eminent jurists have tried to define and apply it.

MARX: THE FIRST HUNDRED YEARS. Edited by David McLellan. New York: St. Martin's, 1983, 315 pp. \$19.95.

MARXISM AND BEYOND. By Sidney Hook. Totowa (N.J.): Rowman and Littlefield, 1983, 225 pp. \$19.95.

The centenary of Marx's death provides the occasion for reconsidering his life and works and the continuing influence of his thought. David McLellan and his colleagues, in essays on history, economics, politics, sociology, philosophy and culture, find him not only still relevant (though not infallible) but also a challenge to further exploration and creative thinking. They are also agreed in seeing nothing creative in the theories and practices of the authoritarian-bureaucratic states where Marxism is the officially proclaimed doctrine. This point has been the familiar theme of the American political philosopher Sidney Hook over the past half century. *Marxism and Beyond* is a collection of his writings, all but a few previously published and many of them worth re-reading.

General: Military, Technological, and Scientific

Andrew J. Pierre

SEEDS OF PROMISE: THE FIRST REAL HEARINGS ON THE NUCLEAR ARMS FREEZE. By the Federation of American Scientists. Andover (Mass.): Brick House, 1983, 213 pp. \$9.95 (paper).

Freeze proposals have come in many variants and have had varying degrees of political support across a wide spectrum. Yet many questions of practicality remain, the chief ones involving feasibility and the connection with more traditional forms of arms control. The hearings format adopted by the Federation of American Scientists was a superb way to dig into particular questions and problems as well as to elicit general statements about these complicated issues. Randall Forsberg (initiator of the freeze movement), Richard L. Garwin, Paul C. Warnke and Robert W. Dean (of the State Department) testified; they were questioned by knowledgeable experts. The result is the best and most informative analysis to date of the freeze concept.

LIVING WITH NUCLEAR WEAPONS. By the Harvard Nuclear Study Group. Cambridge: Harvard University Press, 1983, 268 pp. \$12.95 (Bantam paperback, \$3.95).

A year ago the President of Harvard suggested to six faculty members, all with considerable defense and arms control expertise, that they write a book for the general reader laying out the facts as well as the dilemmas of the nuclear age. This has been done, remarkably well. (It must have helped that the six faculty members have compatible views, none reflecting either the Committee on the Present Danger or the freeze movement.) Much accurate information, and a considerable number of judgments, are imparted in a lively text. An excellent primer that should be intelligible to concerned citizens from high school students on upwards.

WHAT KINDS OF GUNS ARE THEY BUYING FOR YOUR BUTTER? By Sheila Tobias and others. New York: Morrow, 1982, 428 pp. \$15.95.

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A spirited presentation of most aspects of defense for the beginner. Much ground is covered in a manner easily understandable by all, but there is perhaps too much emphasis on weapons and not enough on doctrine and strategic policy.

THE SOVIET UNION AND THE ARMS RACE. By David Holloway. New Haven: Yale University Press, 1983, 208 pp. \$14.95.

This book stands above many other works on Soviet defense policy and attitudes toward arms control because of its lucidity, balance and depth. The author, at the University of Edinburgh, does not look at Moscow through a pink prism. He recognizes the political and historical impulses which guide Soviet policy toward achieving full superpower recognition and a high defense capacity, but he also believes that further arms control is both desirable and achievable. Like the West, notes Holloway, the Soviet Union does not have satisfactory answers to the problems posed by nuclear weapons.

THE THREAT: INSIDE THE SOVIET MILITARY MACHINE. By Andrew Cockburn. New York: Random House, 1983, 338 pp. \$16.95.

Cockburn's aim is to debunk the Soviet military threat as it is often depicted in the West, especially the U.S. In arguing that the Soviets are not ten feet tall he implicitly suggests that they are three feet tall, thereby losing some of his credibility. Yet there is much that is fascinating in this well-written book about matters like the grim daily life of Soviet recruits and weapons that don't work. The author has spent long hours with Soviet emigrés, as well as American defense analysts, and has produced what should be a controversial, if not authoritative, book. It is a welcome addition to a debate in which most of the literature is on the hawkish side of the scale.

THE NEW HIGH GROUND: SYSTEMS AND WEAPONS OF SPACE AGE WAR. By Thomas Karas. New York: Simon and Schuster, 1983, 224 pp. \$14.95.

This important and timely book takes us into the world of the enthusiasts in the "space establishment" of the U.S. Air Force and acquaints the reader with the innovative industry that is providing—and promoting—the technology. The current scale and future potential of the enterprise, from space communication to weapons in orbit, is striking. The author is not afraid to voice his doubts, however. He does not believe that the earth can be made safe from war by moving combat into space; he warns against shifting the military competition with the U.S.S.R. into space (the Soviets will not accept inferiority there, either), and he argues that the U.S. will pay a price for the increased militarization of its national space programs (technology transfer for civilian uses is lower than some allege).

ARMS DEAL: THE SELLING OF THE F-16. By Ingemar Dörfer. New York: Praeger, 1983, 287 pp. \$29.95.

The decision of Belgium, Denmark, the Netherlands and Norway in 1975 to purchase 348 F-16s from the United States, rather than the Dassault Mirage F-1 or the Swedish Viggen, was hailed at the time as the "arms deal of the century." This carefully written yet sprightly book must now rank as the most extensive study to date of a single international arms sale. The author, a Swede conversant with defense technology and policy, looks at the decision-making process in each of the European capitals as well as the tactics of the companies (including Northrop versus General Dynamics before the latter was chosen). "High" politics—the French arguing that a European aircraft must be chosen—and "low" politics, e.g., personal contacts and bribes, are examined in this impressive,

unpolemical work. In the end it was simple: the clearly superior aircraft won.

ARMS TRANSFERS UNDER NIXON. By Lewis Sorley. Lexington: University Press of Kentucky, 1983, 231 pp. \$22.00.

U.S. arms sales first mushroomed during the Nixon years. The author contends that Henry Kissinger viewed arms transfers as "his single most important instrument of policy," that they were "undeniably effective and of central importance" to Nixon's foreign policy, and that they were used "wisely, creatively and with restraint" to serve American interests in world affairs. Substantial documentation is provided to support this contention, which, because it runs counter to a number of other analyses, will make a useful contribution to the debate on arms transfers.

PARADOXES OF POWER: THE MILITARY ESTABLISHMENT IN THE EIGHTIES. By Adam Yarmolinsky and Gregory D. Foster. Bloomington: Indiana University Press, 1983, 154 pp. \$15.00.

Readers of Yarmolinsky's important 1971 study on the military establishment will find this follow-on work disappointing. Although knowledgeably written, there is not enough that is new or fresh, or perhaps too much is attempted in this brief book to do any of its topics adequate justice.

DEFENSE ECONOMICS. By Gavin Kennedy. New York: St. Martin's, 1983, 248 pp. \$32.50.

Much ground—defense expenditures around the world, planning and budgeting, weapons procurement and macroeconomic factors—is covered in this second work by Gavin Kennedy on the subject. Many of the comments are controversial and therefore stimulating. The fact that the author is not American, in a field long dominated by Americans (he is a senior lecturer in economics at the University of Strathclyde in the U.K.), adds to its interest.

WORLD NUCLEAR ENERGY: TOWARD A BARGAIN OF CONFIDENCE. Edited by Ian Smart. Baltimore: Johns Hopkins, 1983, 394 pp. \$30.00.

This volume brings together the excellent, separately published papers of several years ago of the International Consultative Group on Nuclear Energy sponsored by the Rockefeller Foundation and Chatham House. The volume stands well above most of its plentiful competition on this topic in terms of scope, detail and insight. The conditions which it concludes are necessary if nuclear power is to be successfully developed so as to fill an increasing proportion of the world's future energy needs—conditions such as public acceptance, systematic development without undue delay, and reliability of nuclear supplies so as to reduce incentives for proliferation—remain far from having been satisfied.

TERRORISM, LEGITIMACY, AND POWER. Edited by Martha Crenshaw. Middletown (Conn.): Wesleyan University Press, 1983, 228 pp. \$17.95.

What is particularly welcome about this work is the lack of conspiratorial or sensational thinking: here we have a thoughtful and balanced perspective on this troubling phenomenon.

General: Economic and Social

William Diebold, Jr.

GOVERNMENTS, MARKETS, AND GROWTH: FINANCIAL SYSTEMS AND THE POLITICS OF INDUSTRIAL CHANGE. By John Zysman. Ithaca (N.Y.): Cornell University Press, 1983, 353 pp. \$24.50.

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As the title suggests, this first-rate book covers a lot of ground. At the core is a pioneering analysis of the way national financial systems facilitate or hinder the conduct of industrial policy. A broader focus is on how the different relations of government and market in Japan, France, Germany, Britain and the U.S. affect each country's ability to cope with changes in the international economy. All these financial systems are shown to be subject to new challenges that differ a good bit from one another. What they have in common, the author reminds us, is that they have provided the foundations for acceptable political systems which may also be called into question if they cannot cope with economic problems.

THIRD WORLD MULTINATIONALS: THE RISE OF FOREIGN INVESTMENT FROM DEVELOPING COUNTRIES. By Louis T. Wells, Jr. Cambridge: MIT Press, 1983, 206 pp. \$25.00.

For reasons not too different from those that explain the growth of multinational enterprises in the older industrial countries, entrepreneurs in developing countries are increasingly investing abroad. Professor Wells of the Harvard Business School has found data on about 1,000 of these enterprises. First-hand inquiry, analysis of the data base and a thorough understanding of the experience of the older economies combine to produce a most interesting set of comparisons and contrasts on behavior, motives, technology transfer, government policies, and the advantages and disadvantages of working in developing countries. From this major contribution to our knowledge of the international economy, Professor Wells feels one can draw only tentative general conclusions, but his guess is that "the spread of foreign investors from developing countries is, in net, beneficial to the development process and to international relations."

THE ECONOMICS OF FEASIBLE SOCIALISM. By Alec Nove. Winchester (Mass.): Allen & Unwin, 1983, 244 pp. \$29.50 (paper, \$9.95).

What kind of socialism seems feasible to a veteran expert on the economies of the Soviet Union and Eastern Europe, a British subject who has lived through several Labour governments, and a learned student of Marxism in all its divergencies? It would be a mixed economy, with some large and some small enterprises, some self-managed and others hierarchical, much competition, specialization in international trade, and profits that are truly earned and not appropriated from others. The democracy that is basic to his prescription will shift the boundaries among all these features from time to time. But one wonders if it will also stick to the principles of organization, efficiency and egalitarianism he argues for so well in this engaging book.

TWO HUNGRY GIANTS: THE UNITED STATES AND JAPAN IN THE QUEST FOR OIL AND ORES. By Raymond Vernon. Cambridge: Harvard University Press, 1983, 161 pp. \$16.00

From the fee-fi-fo-fum of policy statements to the nitty-gritty of contracts, smelters and stockpiles, American and Japanese approaches to the securing of supplies of energy and metals have been quite different. Professor Vernon's hard-edged analysis shows why, and traces changes over the decades. By his standards, the Japanese have done better and the Americans seem to be getting worse. Relations between the giants have affected these policies and been affected in turn. The author sees them hanging together in spite of strains, but prescribes some broader-gauged approaches for this country. A first-rate piece of work.

THE NEXT AMERICAN FRONTIER. By Robert B. Reich. New York: Times Books, 1983, 324 pp. \$16.60.

This stimulating, well-written book hits several nails on the head: the American economy needs to become more flexible and internationally competitive. This requires improving human capital and breaking out of the management methods that have contributed to the present troubles; and this is a formidable political task. Although the argument is compelling that the old industrial centers can only stay ahead of the low-wage countries by concentrating on "high-value niches" in the old industries and on new, high-technology industries, we get no clear picture of what the resulting American economy will look like. Except probably with regard to Japan, the evidence is thin for Professor Reich's contention that other countries are doing these things better than the U.S. One can quarrel with some of his history though there are many good insights. He makes some detailed suggestions for improving matters that sound practical.

THE SOVIET BLOC, ENERGY, AND WESTERN SECURITY. By Jonathan B. Stein. Lexington (Mass.): Lexington Books (for the Center for Strategic and International Studies, Georgetown University), 1983, 97 pp. \$18.95.

In the running fight among Western analysts about Soviet oil production, Mr. Stein of Georgetown is firmly on the side of those who think there will be big problems. His concise but detailed survey of other energy sources and the needs of socialist Eastern Europe as a whole underlines the point. The book stops short of drawing conclusions for Western policy.

ECONOMIC INTEGRATION AND ECONOMIC STRATEGY. By Ferenc Kozma. Boston: Nijhoff, 1982, 250 pp. (Hingham, Mass: Kluwer Boston, distributor, \$48.00).

Correctly arguing that the integration of the socialist economies of Eastern Europe cannot follow the paths of the European Community, this Hungarian economist sees a "synchronized development policy" as the only reasonable objective. While sounding positive, he shows how difficult that approach is. He puts more emphasis than most observers would on solidarity within the group and the commitment to narrow the gap between the least and most productive economies. Facts, says Mr. Kozma, must guide policy, not general ideas about integration, and he makes detailed recommendations for Hungary. This densely written book is for specialists but has some interesting material on patterns of production and trade among the socialist countries and some unusual lines of argument.

THE LIMITS OF EUROPEAN INTEGRATION. By Paul Taylor. New York: Columbia University Press, 1983, 320 pp. \$27.50.

It is no news that the members of the European Community are not as closely knit as many people expected them to be by this time. Mr. Taylor of the London School of Economics makes a close analysis of the many reasons why this is so and how it happened. To improve the situation he suggests that several countries be permitted to move ahead together even if the rest of the group does not join in, and, more tentatively, that European countries reduce their economic ties with the rest of the world and pay more attention to one another.

POLITICS, POLICY AND THE EUROPEAN RECESSION. Edited by Andrew Cox. New York: St. Martin's, 1982, 267 pp. \$25.00.

EUROPE'S ECONOMY IN CRISIS. Edited by Ralf Dahrendorf. New York: Holmes & Meier, 1982, 274 pp. \$24.95.

The recession with which the first of these books deals started in 1973, but the data do not go beyond 1980. The authors, mostly British academics, study

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the responses of seven governments and the European Community in useful, concise papers. The more eminent authors in the second volume tend to take somewhat broader views and look ahead without much optimism. Professor Dahrendorf's reflections on what it all means are especially provocative.

ECONOMIC ISSUES AND THE ATLANTIC COMMUNITY. Edited by Wolfram F. Hanrieder. New York: Praeger, 1982, 184 pp. \$22.95.

Good people, mostly familiar topics, generally useful results. The unifying theme—which does not bind too closely—is that interdependence sharpens the political edge of economic problems, especially as power relations shift.

FRANCE IN THE TROUBLED WORLD ECONOMY. Edited by Stephen S. Cohen and Peter A. Gourevitch. Woburn (Mass.): Butterworths, 1982, 199 pp. \$39.95.

A number of bright academics write, sometimes provocatively, about the political and economic complexities of French responses to the crises of the 1970s and what may come of the 1980s. The Mitterrand victory squeaks into a few pages.

JAPAN'S WASTED WORKERS. By Jon Woronoff. Totowa (N.J.): Allanheld, Osmun, 1983, 296 pp. \$19.95 (paper, \$10.95).

High productivity, lifetime employment and cooperative workers have played an important part in Japanese success. But there are also old-fashioned managements (especially in offices), less than eager workers, overstaffed enterprises (particularly in services and public enterprises), hidden unemployment, and corporate bureaucratization. Women are discriminated against, underpaid and underused. Woronoff, a business journalist who has lived in Tokyo a long time, even criticizes robotization and the Japanese educational system. In a book that appeared first in Japanese, he asks whether Japan will long be able to afford this kind of waste.

JAPAN'S ECONOMY IN A COMPARATIVE PERSPECTIVE. Edited by Gianni Fodella. Tenterden (Kent, U.K.): Paul Norbury, 1983, 220 pp.

A comparative study of the Japanese and Italian economies seems a surprising idea, but the execution is very good. Moreover, the method produces interesting insights and original lines of inquiry. A few of the 11 papers by Japanese and Italian economists fall below the book's standards, but those by the editor looking at the economic performance of the two countries and by Fabrizio Onida on their places in the international division of labor are outstanding.

BANKING ON THE POOR: THE WORLD BANK AND WORLD POVERTY. By Robert L. Ayres. Cambridge: MIT Press, 1983, 275 pp. \$25.00.

Eyebrows rose when Robert McNamara announced that the World Bank was going to direct its activities toward reducing poverty. They should come down, according to this interesting volume, not because his successor will change things but because the poverty-focused lending integrates well with the Bank's more traditional work, which has also expanded greatly. Urban and rural projects are examined in some detail and there is criticism of aims and methods. But basically McNamara's Bank gets high marks in this thorough and carefully reasoned study, for which the author had good access to the Bank's staff and materials. Mr. Ayres was an International Affairs Fellow of the Council on Foreign Relations.

The United States
Gaddis Smith

POWER AND PRINCIPLE: MEMOIRS OF THE NATIONAL SECURITY ADVISER, 1977–1981. By Zbigniew Brzezinski. New York: Farrar, Straus & Giroux, 1983, 573 pp. \$22.50.

These important, self-flattering, and occasionally venomous memoirs depict the author's efforts to make President Jimmy Carter, and thus American foreign policy, more assertive toward the Soviet Union. Brzezinski endlessly repeats his admiration for Carter's intelligence, lists his considerable achievements, and yet condemns him for "the absence of historical perspective"—which means his failure to follow Brzezinski's advice more often. Of Secretary of State Cyrus Vance he writes: "As a member of both the legal profession and the once-dominant WASP elite, he operated according to their values and rules, but those values and rules were of declining relevance not only in terms of domestic American politics but particularly in terms of global conditions." Translation: more power, less principle.

HARD CHOICES: CRITICAL YEARS IN AMERICA'S FOREIGN POLICY. By Cyrus Vance. New York: Simon and Schuster, 1983, 541 pp. \$19.95.

Othello would have approved this account of important service to the state—"nothing extenuate, Nor set down aught in malice"—and might have found much of it reminiscent in other ways. The author's moral quality, balanced judgment and grasp of specific issues illuminate a remarkable picture of the diverse problems and strains with which an American secretary of state must cope today, especially under an inexperienced and suggestible President. If Mr. Vance lacked something in capacity for vivid articulation of policy and perhaps in strategic sense, he remains a man of stature and dedication. Not easy reading, but highly rewarding for the serious observer.

W.P.B.

REAGAN'S RULING CLASS: PORTRAITS OF THE PRESIDENT'S TOP ONE HUNDRED OFFICIALS. By Ronald Brownstein and Nina Easton. New York: Pantheon, 1983, 759 pp. \$9.95 (paper).

These biographical sketches of one hundred individuals in the Reagan Administration are based on interviews and laborious research and are packed with data. The introduction by Ralph Nader, for whom the authors work, is strident, but the book is fair and factual. It will prove very useful to journalists and to political campaign workers—especially Democrats. The book notes those officials who have been replaced—e.g., Alexander Haig, Eugene Rostow, Anne Gorsuch Burford—but includes their biographies. The authors asked all the subjects for interviews; 57 percent complied.

UNITED STATES FOREIGN POLICY AT THE CROSSROADS. Edited by George Schwab. Westport (Conn.): Greenwood Press, 1982, 268 pp.

Papers collected from a conference held in 1980 and dedicated to the memory of Hans Morgenthau. There is an excellent essay by Arthur Schlesinger, Jr., evaluating Morgenthau's great influence as the premier academic exponent of the "realist" (as opposed to "moralistic-legalistic") approach to international affairs. For Morgenthau, realism meant acting in the national interest. A theme in this volume is that national interest must now take into account global threats to human survival.

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JFK: THE PRESIDENCY OF JOHN F. KENNEDY. By Herbert S. Parmet. New York: Dial Press, 1983, 407 pp. \$19.95.

A balanced, well-written account by a prolific historian of the modern presidency. His narrative is enlivened by good use of oral history interviews. Parmet admires Kennedy as "a moderate conservative and a rational idealist," but the book is far from flattering. This is a companion to Parmet's earlier book about Kennedy's youth, *Jack: The Struggles of John F. Kennedy*. Highly recommended for those who ask what book(s) on the subject they should read first.

A GENERAL'S LIFE: AN AUTOBIOGRAPHY. By Omar N. Bradley and Clay Blair. New York: Simon and Schuster, 1983, 752 pp. \$19.95.

Although this book is written in the first person, it is really a biography written by Clay Blair, who did the research and drafting. Before the General died in 1981 he had read and approved the first half. The second half is therefore written not by a ghost but for one. The book, like its subject, is clear and uncontroversial.

THE DIARY OF JAMES C. HAGERTY: EISENHOWER IN MID-COURSE, 1954–1955. Edited by Robert H. Ferrell. Bloomington: Indiana University Press, 1983, 269 pp. \$19.50.

James Hagerty was both Eisenhower's press secretary and the President's closest day-to-day adviser, a man assigned responsibilities going well beyond relations with the press. On the one hand, it is remarkable that Hagerty had time to keep any diary; on the other hand, it is too bad that he did so only during 1954 and part of 1955. The diary will enhance Eisenhower's reputation for realistic leadership. The entries on the consequences of using nuclear weapons are particularly interesting—and relevant.

AFTER LONG SILENCE. By Michael Straight. New York: Norton, 1983, 351 pp. \$17.50.

The author was briefly involved with the clandestine communist group headed by Anthony Blunt and Guy Burgess at Cambridge University in the 1930s. This apologia attempts, with limited success, to explain the author's life and especially his decision to keep silent about his knowledge of Blunt's activity as a secret Soviet agent. There are some interesting parts about postwar politics, Truman, Henry Wallace, and communist manipulation of veterans' and other organizations, which well evoke the flavor of those days.

ROOSEVELT AND THE ISOLATIONISTS, 1932–1945. By Wayne S. Cole. Lincoln: University of Nebraska Press, 1983, 624 pp. \$26.50.

The author is the leading historian of isolationism in the Roosevelt era (with previous books on Senator Gerald P. Nye, Charles Lindbergh, and the "America First" organization). One of the interesting points in this broad study is that Roosevelt not only defeated the isolationists but fixed on them the distorted and unfair image of being "narrow, self-serving, partisan, conservative, antidemocratic, anti-Semitic, pro-Nazi, fifth-columnist, and even treasonous." This is the old time-dishonored technique of equating dissenters with the enemy.

THE SKY WOULD FALL: OPERATION VULTURE, THE U.S. BOMBING MISSION, INDOCHINA 1954. By John Prados. New York: Dial Press, 1983, 288 pp. \$17.95.

A detailed and readable study, based substantially on recently declassified documents, of the U.S. Government's ineffective response to the French predic-

ament at Dien Bien Phu in 1954. The failure to obtain an agreed program of "united action" with the French and British, and the decision—for which, under the circumstances, there was no persuasive alternative—not to intervene with the direct use of American bombers revealed the emptiness of the doctrine of "massive retaliation."

THE UNITED STATES AND THE BERLIN BLOCKADE, 1948–1949. By Avi Shlaim. Berkeley: University of California Press, 1983, 440 pp. \$38.00.

Inspired by the theories of Michael Brecher on decision-making in times of crisis, Shlaim concludes in this very detailed study that operating under stress did not adversely affect the capacity of American leaders during the first Berlin crisis. Even those who are skeptical of the utility of psychological models in the study of past and present international relations will admire the care with which Shlaim defines his terms and organizes the data. Whether decisions will be made as effectively in crises where the pressure to act is measured in hours rather than weeks is another matter.

THE LIFE OF HERBERT HOOVER: THE ENGINEER, 1874–1914. By George H. Nash. New York: Norton, 1983, 768 pp. \$25.00.

The tragedy of Herbert Hoover's presidency at the onset of the Depression has often obscured the fact that his life as a whole is unparalleled in this century for interest and variety. This first volume in a projected full-scale biography follows Hoover from childhood to Stanford, thence to Australia, China, South Africa, London, and wealth and power as a brilliantly efficient mining engineer and developer. His life in those years was synonymous with the opening of the mining frontier on a global scale to fill the needs of the modern industrial economy. An excellent book.

THE MAKING OF A SPECIAL RELATIONSHIP: THE UNITED STATES AND CHINA TO 1914. By Michael H. Hunt. New York: Columbia University Press, 1983, 416 pp.

For a century and a half, until 1949, Americans enjoyed the myth that the Chinese looked appreciatively on the United States as a guide and mentor. Few American historians had the linguistic ability or the access to Chinese records necessary to get behind the myth. This book, by a leading scholar of a new generation, tells the Chinese side of the equation better than it has been told before, and stresses tension and misunderstanding rather than saccharine benevolence as principal themes. This is necessary background for understanding the present.

AMERICAN DIPLOMATIC HISTORY: TWO CENTURIES OF CHANGING INTERPRETATIONS. By Jerald A. Combs. Berkeley: University of California Press, 1983, 413 pp. \$36.00.

An admirable survey, based on prodigious reading, of the interaction of contemporary issues and the nature of historical writing. An indispensable reference work for those interested in American diplomatic history.

The Western Hemisphere

Robert D. Crassweller

ENVIRONMENTAL DIPLOMACY: AN EXAMINATION AND A PROSPECTIVE OF CANADIAN-U.S. TRANSBOUNDARY ENVIRONMENTAL

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RELATIONS. By John E. Carroll. Ann Arbor: University of Michigan Press, 1983, 382 pp. \$22.50.

The author combines scientific knowledge and political understanding in this outstanding treatise, a valuable introduction to a complex and increasingly important group of issues—of which “acid rain” is only the most recent and controversial. Carroll argues for a more systematic and structured approach to bilateral environmental problems. He believes that the present system—“ad hoc with a light patina of order and governance”—has been overwhelmed.

G.S.

AN ACCEPTANCE OF PARADOX: ESSAYS ON CANADIAN DIPLOMACY IN HONOUR OF JOHN W. HOLMES. Edited by Kim Richard Nossal. Toronto: Canadian Institute of International Affairs, 1982, 202 pp. \$13.50 (paper).

Since the 1940s John Holmes has been a distinguished Canadian diplomat, prolific author, and “facilitator” (his own word) of scholarship. Eight essays by friends and students range over historical topics from the 1930s to the 1970s, from Canadian policy on selling arms to South Africa to defense cooperation with the United States.

G.S.

THE PRESIDENTS AND THE PRIME MINISTERS. By Lawrence Martin. New York: Doubleday, 1983, 300 pp. \$19.95.

The United States has been a major concern of every Canadian Prime Minister. Most American Presidents have paid little heed to Canada. That is a major difficulty in focusing on the two heads of government in a survey of Canadian-American relations since 1867. Nevertheless, this is a readable introduction based on standard secondary sources and some archival research.

G.S.

JAMAICA: STRUGGLE IN THE PERIPHERY. By Michael Manley. London: Writers and Readers, 1983, 259 pp. (New York: Norton, distributor, \$15.95; paper, \$7.95).

The former Prime Minister of Jamaica defends his record, asserting the need for “a third way” and his contention that Jamaica and the Third World “are on the receiving end of the imperialist whip.” He believes that destabilization tactics were unleashed against his government, and he hints at U.S. instigation through his extensive use of analogies with Chile. He defines Russia’s influence within its bloc as a “hegemonic process of domination” but not as imperialism, since he finds no “transfer of wealth” there.

REVOLUTION IN CENTRAL AMERICA. Edited by the Stanford Central America Action Network. Boulder (Colo.): Westview Press, 1983, 508 pp. \$30.00 (paper, \$13.95).

This is a lengthy compilation of articles, reports, testimonies and other sources, focused on the concept of region-wide revolution. The topical arrangement includes human rights, land and population, church activity, and the role of women, etc. Unabashedly partisan, it leans on anti-imperialistic rhetoric and dependency theory.

DEMOCRACY IN COSTA RICA. By Charles D. Ameringer. New York: Praeger/Stanford: Hoover, 1982, 138 pp. \$19.95.

A competent description of a very untypical country, intended for the layman and unburdened by heavy scholarly underpinnings. The focus is on the political

scene, but there is also a good summary of early colonial developments that have led to the country's unusual history.

FOREIGN DEBT AND LATIN AMERICAN ECONOMIC DEVELOPMENT. Edited by Antonio Jorge, Jorge Salazar-Carillo and Rene P. Higonnet. Elmsford (N.Y.): Pergamon Press, 1982, 183 pp. \$30.00.

Some of these 17 essays are general in nature and others are specific to countries, Mexico and Brazil in particular. All of them are devoted to the technical banking aspects of foreign debt, with considerable statistical material, and are based on papers given at a Latin American conference on foreign debt sponsored by Florida International University in 1982.

YESTERDAY'S SOLDIERS: EUROPEAN MILITARY PROFESSIONALISM IN SOUTH AMERICA, 1890-1940. By Frederick M. Nunn. Lincoln: University of Nebraska Press, 1983, 365 pp. \$26.95.

The author traces the influence of the German military in the creation of modern armed forces in Argentina and Chile, and the corresponding French influence in Brazil and Peru. Citing Lévi-Strauss on "tropical culture-lag," Nunn observes: "So many of the political, social and cultural dilemmas of modern South America resemble those of the 1890-1940 half-century in Europe that I believe South America to be more representative of that era than that of the Atlantic world of the Atomic Age."

THE MEXICAN UNIVERSITY AND THE STATE: STUDENT CONFLICTS, 1910-1971. By Donald J. Mabry. College Station: Texas A&M University Press, 1983, 328 pp. \$24.75.

A description of the relations of the Mexican state and the premier cultural institution in Mexico, the National Autonomous University of Mexico. The story is encouraging. The University has not come under government control and its students rarely revolt; few of them even advocate revolution. Complete and scholarly.

OUR MAN IS INSIDE. By Diego and Nancy Asencio. Boston: Atlantic/Little, Brown, 1983, 288 pp. \$16.00.

The former U.S. Ambassador to Colombia has written a very colorful account of his 61-day ordeal as the captive of Marxist terrorists in Bogota in 1980. The human side of events is stressed, the foibles and whims and personal characteristics of the captors and prisoners alike. Interesting psychology-in-the-raw.

Western Europe

Fritz Stern

FRENCH AND GERMANS, GERMANS AND FRENCH. By Richard Cobb. Hanover (N.H.): University Press of New England, 1983, 185 pp. \$15.95.

A British historian and deeply sympathetic observer of France gives a superb account of the human condition of occupier and occupied, primarily during World War II. He fastens on the gradations of differences among regions, classes, types of people. A wise and evocative book, "a private chronicle of war and occupation," perhaps a trifle too kind, too understanding of both parties. Cobb rejoices in every moment of privacy, of sexual escape, in anything that defies coercion and "the iron demands of the military collectivity."

MISSION ON THE RHINE: REEDUCATION AND DENAZIFICATION IN

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AMERICAN-OCCUPIED GERMANY. By James F. Tent. Chicago: University of Chicago Press, 1983, 169 pp. \$26.00 (paper, \$12.95).

An excessively selective account of American policies, carried out by the Military Government, to reeducate—in Archibald MacLeish's phrase, to "detoxify"—the German people. After General Patton's unfortunate remark in September 1945 that "the Nazi thing is just like a Democrat-Republican election fight," denazification was given more emphasis, but purges of German education were only partially successful. A major topic that could have been handled less episodically and in greater depth. The author, an American historian, has made use of recently released government papers.

FRANÇOIS MITTERRAND: A POLITICAL ODYSSEY. By Denis MacShane. New York: Universe Books, 1983, 288 pp. \$14.95.

A useful, straightforward, uncomplicated biography of an ambiguous and complicated figure whose checkered career has been marked by a series of defeats out of which he gradually fashioned major triumphs. The contradictions of his life are many: by turns a man of principle and compromise, but more elusive than even a French politician of the left needs to be—and perhaps more elusive than this young British journalist sees or cares to admit.

WINSTON CHURCHILL'S WORLD VIEW: STATESMANSHIP AND POWER. By Kenneth W. Thompson. Baton Rouge: Louisiana State University Press, 1983, 364 pp. \$25.00.

A well-organized, hagiographical compendium of Churchill's political and practical wisdom, with the hope that his realism might inform our own perspective on present perils.

THE PRELUDE TO THE TRUMAN DOCTRINE: BRITISH POLICY IN GREECE, 1944–1947. By G.M. Alexander. New York: Clarendon Press/Oxford, 1983, 299 pp. \$46.00.

During and immediately after World War II the British viewed a friendly and democratic Greece as indispensable to their security interests, and discovered that Greek political ineptitude, economic misery and attendant radicalization made intervention necessary and monumentally difficult. Greek affairs, moreover, were inextricably linked to relations among the Big Three. A young historian, using recently released British documents, retraces British policy which proved to be a holding operation until the U.S. took over. A fine monograph but vastly overpriced and still without the editorial eye that would have excised "irregardless."

KARAMANLIS: THE RESTORER OF GREEK DEMOCRACY. By C.M. Woodhouse. New York: Oxford, 1982, 297 pp. \$44.00.

An English historian, former M.P. and longtime expert on Greece, has written a life of the dominant personality in Greek politics over the past few decades and done so with the help of Karamanlis's private archives, uniquely placed at his disposal. Karamanlis's career, set against the background of postwar Greek politics, with all its plots and intrigues, includes his efforts to modernize the economy and to build the country's ties to Europe. Karamanlis replaced the colonels and his stormy life confirms his view of Greek politics: "In Greece, it is not enough to wind up your watch; to make progress you have to push the hands on with your finger!"

COMMUNISM AND POLITICAL CHANGE IN SPAIN. By Eusebio Mujal-Leon. Bloomington: Indiana University Press, 1983, 274 pp. \$22.50.

A thorough, scholarly study of the Spanish Communist Party, hailed at one time as the principal enemy of the Franco regime. Santiago Carrillo, the PCE's leader, was a founder of Eurocommunism and championed a flexible policy toward the Church in Spain and a critical line toward Moscow—and still the PCE lost out to a triumphant Socialist Party. The reasons for the PCE's electoral defeats are analyzed in the context of Spanish and Communist history, with emphasis on the tactical decisions of the PCE leadership.

THE SUCCESSOR GENERATION: INTERNATIONAL PERSPECTIVES OF POSTWAR EUROPEANS. Edited by Stephen F. Szabo. Woburn (Mass.): Butterworths, 1983, 183 pp. \$45.00.

In a changed historical context, the younger generation of Europeans, especially in Germany and Italy, hold different assumptions about the basic values of international politics than did their elders who lived through the era of American preeminence and generosity. An exploration of different countries, based largely on opinion polls, with the limitations of this approach. A subject of great importance that deserves a broader inquiry.

ALLIES IN A TURBULENT WORLD. Edited by Frans A.M. Alting von Geusau. Lexington (Mass.): Lexington Books, 174 pp. \$24.95.

Diagnoses and prescriptions concerning the Atlantic Alliance are overabundant, but this collection, based on an initial conference in November 1981, is often deep and comprehensive. A group of experts analyze the specific political, economic and cultural issues and the generally unfavorable trends that threaten to divide us ever more. As the Dutch editor notes: "At stake is the survival itself of the North Atlantic Alliance." The contributions from the editor, from William Diebold, Jr. and from Pierre Hassner are particularly valuable.

THE EUROPEANS. By Luigi Barzini. New York: Simon and Schuster, 1983, 267 pp. \$14.95.

Polished, civilized variations on the theme of Europe's sadly incomplete unity. A portrait of the major nations of Western Europe, each with its own sacred egoism, all with what for Barzini is an exasperating durability of national traditions. A celebrated writer-journalist mixes anecdotes, aperçus, and historical sketches and comes up with such charming observations as: "Wine is perhaps the essence of our continent." A bubbly book, with insufficient substance.

The Soviet Union and Eastern Europe

John C. Campbell

DANGEROUS RELATIONS: THE SOVIET UNION IN WORLD POLITICS, 1970–1982. By Adam B. Ulam. New York: Oxford, 1983, 325 pp. \$25.00.

Adam Ulam follows his earlier works on Soviet foreign policy and Soviet-American relations with an account of détente and what happened to it. Seeing the policies of both countries in the light of internal and external factors, of reciprocal reactions, of relative strengths and weaknesses and frequent misperceptions of the equation, he is diligent in the search for facts, capable of sharp insights, and is not afraid of informed guesswork and controversial conclusions.

THE SOVIET VIEWPOINT. By Georgi Arbatov and Willem Oltmans. New York: Dodd, Mead, 1983, 219 pp. \$13.95.

Moscow's leading Americanologist states his views in the form of answers to

questions posed by a Dutch journalist. Arbatov's reasonable tone and his familiarity with the American scene do not disguise the manifold distortions both of American and of Soviet policy, past and present. One wonders whether understanding this "viewpoint" (rather, this expression of the current Soviet line for foreign consumption), as ex-Senator Fulbright in his introduction urges us to do, will be of much help in advancing the cause of peaceful coexistence and cooperation.

GLOBAL'NYE PROBLEMY SOVREMENNOSTI: NAUCHNYI I SOTSIAL'NYI ASPEKTY (CONTEMPORARY GLOBAL PROBLEMS: SCIENTIFIC AND SOCIAL ASPECTS). By V.V. Zagladin and I.T. Frolov. Moscow: Mezhdunarodnye otnosheniya, 1981, 237 pp.

GLOBAL'NYE PROBLEMY SOVREMENNOSTI (CONTEMPORARY GLOBAL PROBLEMS). Edited by N.N. Inozemtsev and others. Moscow: Mysl', 1981, 285 pp.

Two important and innovative Soviet interpretations of the "subjective" (i.e., political) and the "objective" (i.e., technical) factors influencing the international situation. The first book, written by the deputy chief of the International Department of the Central Committee and by a specialist in Marxist philosophy, lays more stress on the systemic explanations than does the second, prepared by the research staff of the Institute of World Economy and International Relations. Both works, nevertheless, are significant departures in that they analyze from a global viewpoint the implications of the nuclear race, restrictions on world trade, underdevelopment, population growth, utilization of ocean resources, food and raw material supplies. This approach permits an open-ended inquiry which, more often implicitly than explicitly, admits that both the socialist and the capitalist countries face problems for which the old systemic answers do not provide adequate solutions.

Elizabeth Kridl Valkenier

SOVIET POLICY IN EAST ASIA. Edited by Donald S. Zagoria. New Haven: Yale University Press, 1982, 360 pp. \$25.00. A Council on Foreign Relations Book.

An undertaking with as broad a scope as this is bound to be many books in one, involving as it does bilateral Soviet relations with a number of Asian countries, a mixture of strategic, political and economic factors, and a continuing but shifting interaction between the Soviet Union's regional policies and its global relations with the United States. No consistent over-all Soviet strategy emerges, probably because none exists, but we do get an extended discussion, by a group of highly qualified authors, of all the issues, especially those pertaining to security. This is not a symposium but a carefully crafted, integrated study.

SOVIET POLICY AND PRACTICE TOWARD THIRD WORLD CONFLICTS. By Stephen T. Hosmer and Thomas W. Wolfe. Lexington (Mass.): Lexington Books (for RAND), 1983, 318 pp. \$23.95.

Two RAND scholars survey the entire course of Soviet involvement in the Third World: historically, by region, and by aims and methods, topping off with some proposals for American response. Perhaps they attempt too much (complex episodes are reduced to a few sentences), but it cannot be said that their analysis is not objective or that their background documentation is inadequate—116 pages of footnotes and bibliography.

USSR IN CRISIS: THE FAILURE OF AN ECONOMIC SYSTEM. By Marshall I. Goldman. New York: Norton, 1983, 210 pp. \$15.00.

The Stalinist model of a planned economy, says Professor Goldman, is still in effect in the Soviet Union, has brought the country to crisis and failure, but cannot be abandoned or reformed without risks today's leaders will not take. In a book written for the general reader, he illustrates the dilemma with descriptions of the problems of industry and agriculture and the burdens of empire, sprinkling his pages with sharp and generally negative judgments (some of them repeated several times) and concluding that the system is ripe for change. But do not expect collapse tomorrow.

PROSPECTS FOR SOVIET AGRICULTURE IN THE 1980s. By D. Gale Johnson and Karen McConnell Brooks. Bloomington: Indiana University Press, 1983, 214 pp. \$17.50 (paper, \$8.95).

The prospects, these two distinguished economists conclude, are not bright, even though the Soviet leadership recognizes the problems. The book is in two parts, Johnson writing on policies and performance, Brooks on productivity. Their analysis leads to the conclusion that while agriculture will continue to be a drag on the economy, the costs, in the eyes of the leadership and in fact, will be bearable. This is the first in what promises to be an important series of books on "factors affecting Soviet foreign policy," sponsored by the Georgetown Center for Strategic and International Studies.

FINAL JUDGMENT: MY LIFE AS A SOVIET DEFENSE ATTORNEY. By Dina Kaminskaya. New York: Simon and Schuster, 1983, 364 pp. \$18.95.

A revealing first-hand account of the workings of the Soviet system of criminal justice. The author defended a number of prominent dissidents (Bukovsky, Litvinov, Galanskov and others) and in time, being unwilling to compromise, had to give up her profession and her country. The book is a companion piece to *The Corrupt Society* by her husband, Konstantin Simis (noted in *Foreign Affairs*, Winter 1982/83).

LENIN LIVES!: THE LENIN CULT IN SOVIET RUSSIA. By Nina Tumarkin. Cambridge: Harvard University Press, 1983, 315 pp. \$20.00.

The Lenin cult has its roots in Russian history and society, and in the political needs and tactics of the Soviet leadership both in Lenin's time and after. This well-conceived and well-written scholarly book is part biography (how Lenin himself helped create the myth), and part political and socio-psychological history (how Lenin's deification was used by those contending for power after his death, and how Stalin harnessed it to his own cult). The substantial part of the story ends in the 1930s, but, as the brief epilogue recounts, Lenin is "always with us."

TWILIGHT OF THE COMINTERN, 1930-1935. By E.H. Carr. New York: Pantheon, 1983, 461 pp. \$22.50.

E. H. Carr completed this impressive book just before he died at age 90. It is obviously less intensive than his massive 14-volume *History of Soviet Russia From 1917 to 1929*, but is nevertheless a very solid work, indispensable to the student of Soviet foreign policy and international communism. Much of the story concerns Germany, and the attempts of Moscow and the German Communists to cope with the rise and successes of Hitler. Separate sections cover the affairs of a number of individual communist parties.

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THE BELLS OF THE KREMLIN. By Arvo Tuominen. Hanover (N.H.): University Press of New England, 1983, 333 pp. \$22.50.

Memoirs of a former high official of the Finnish Communist Party and the Comintern. Living in Moscow in the 1930s, Tuominen was close to the seats of power and had a chilling first-hand view of Stalin's purges. Most of his revelations are about fellow Finns, but there are glimpses too of the Soviet scene and of the decimation of the leadership of the other foreign communist parties. This version for English readers was put together from portions of books previously published in Finnish, plus material from taped conversations between the author, who died in 1981, and the editor, Piltti Heiskanen.

REVOLUTION GEGEN JALTA. By Wolfgang Strauss. Berg am See: Vowinckel, 1982, 212 pp. DM. 24.80.

"Yalta" is seen here as the symbol of the postwar status quo, the fastening of Soviet imperial rule on the peoples of the U.S.S.R. and Eastern Europe. The coming revolution against that order will be an uprising of oppressed peoples, including the Russians, and the only alternative to a world nuclear war. The author of this impassioned tract is a Baltic German by birth, a graduate of the Gulag, and now a writer in West Germany.

FROM HITLER TO ULBRICHT: THE COMMUNIST RECONSTRUCTION OF EAST GERMANY, 1945-46. By Gregory W. Sandford. Princeton: Princeton University Press, 1983, 313 pp. \$24.00.

A solid monograph describing the "popular front" tactics of the U.S.S.R. and the Communist Party of Germany during the war and in the first year of occupation. Their aim was "democratization": in the realm of hope, for all of Germany; in actuality, for the Soviet zone. Although the author may overemphasize the ideological rationale, he is clear in recognizing the ultimate aim as control.

THE GDR: MOSCOW'S GERMAN ALLY. By David Childs. Winchester (Mass.): Allen & Unwin, 1983, 346 pp. \$27.50 (paper, \$14.50).

Author of an earlier *East Germany* (1969), Childs gives the GDR's history in brief compass, then takes up individual topics significant for the past decade—the ruling party, the constitution, the economy, education, foreign relations, etc.—presenting the basic facts and trying to separate myth from reality. A good and comprehensive guide.

POLAND'S PLACE IN EUROPE: GENERAL SIKORSKI AND THE ORIGIN OF THE ODER-NEISSE LINE, 1939-1943. By Sarah Meiklejohn Terry. Princeton: Princeton University Press, 1983, 394 pp. \$40.00 (paper, \$15.00).

Careful research in a field already mined with political and academic disputes leads Sarah Terry to some rather novel but well supported conclusions on Sikorski's wartime policies aimed at the recreation of an independent and viable Poland after the war. She shows how, in dealing with boundary problems (the Oder-Neisse line was one of Sikorski's desiderata, not a Communist invention), in relations with Russia, and in plans for federation with neighbors in Central Europe, he had a comprehensive set of aims directed to the dilemmas of Poland's geographic position. His effort failed, but could any alternative have succeeded?

THE SOCIALIST CORPORATION AND TECHNOCRATIC POWER: THE POLISH UNITED WORKERS' PARTY, INDUSTRIAL ORGANIZATION AND WORKFORCE CONTROL, 1958-80. By Jean Woodall. New York: Cambridge University Press, 1982, 281 pp. \$39.50.

This book is based on a Ph.D. thesis and reads like one. It is, however, of special interest because it goes so deeply into questions of industrial organization, class relations and Party policy. In addition to illustrating the challenges of productivity and reform which exist in all the command economies, they were directly or indirectly relevant to the social explosions that took place in Poland in 1970, 1976 and 1980.

The Middle East and North Africa

John C. Campbell

GOING ALL THE WAY: CHRISTIAN WARLORDS, ISRAELI ADVENTURES, AND THE WAR IN LEBANON. By Jonathan C. Randal. New York: Viking, 1983, 304 pp. \$16.75.

An American correspondent's first-hand, gloves-off account of what happened to Lebanon from the outbreak of civil war in 1975 to the massacre in Beirut's PLO camps in 1982, with excursions back into history. At the center of his attention is the violent politics of the Maronite community, but he also delves into the role of Syria, the Israeli connection, and the foibles of American diplomacy. Not the last word, but good reading with the ring of truth.

THE BEIRUT MASSACRE: THE COMPLETE KAHAN COMMISSION REPORT. New York: Karz-Cohl, 1983, 144 pp. \$14.95 (paper, \$7.95).

The text of the report is here presented in English for convenient reference. Abba Eban contributes an introduction placing both the massacre and the report in the context of Israel's history and moral standards. His comments highlight the differences between the views of Labor and of Likud, but also pay tribute to the Commission's work as a vindication of Israel's democracy and rule of law.

ISRAELI NUCLEAR DETERRENCE. By Shai Feldman. New York: Columbia University Press, 1983, 310 pp. \$25.00 (paper, \$9.95).

With Israel's security as his *ultima ratio*, an Israeli scholar argues for an overt and declared policy of nuclear deterrence, finding the risks acceptable and the benefits, if the policy is accompanied by political flexibility on outstanding territorial questions, greater than those offered by any feasible alternative course. The case is closely reasoned and must be pondered, and not only by Israelis.

A PALESTINIAN STATE: THE IMPLICATIONS FOR ISRAEL. By Mark A. Heller. Cambridge: Harvard University Press, 1983, 190 pp. \$16.00.

An Israeli scholar makes a clinical study of the Palestine question and comes to the surprising conclusion that negotiation with the PLO for an independent Palestinian state, based on mutual recognition and with necessary safeguards for Israel, offers greater possibilities for security than any alternative. He tackles all the seemingly insoluble problems, including the future status of Jerusalem.

A LAND OF TWO PEOPLES: MARTIN BUBER ON JEWS AND ARABS. Edited by Paul R. Mendes-Flohr. New York: Oxford, 1983, 350 pp. \$29.95.

Views of the eminent Jewish philosopher, in articles, speeches, and hitherto unpublished letters and manuscripts written from 1918 to 1965, on the moral and political need for real cooperation, not just coexistence, between Jews and Arabs in Palestine. Minority views at the time, they unfortunately remain so today.

BETWEEN BATTLES AND BALLOTS: ISRAELI MILITARY IN POLI-

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TICS. By Yoram Peri. New York: Cambridge University Press, 1983, 344 pp. \$39.50.

A sociologist's view of a highly political question, taking issue with conventional descriptions of civilian-military relations in Israel. It shows convincingly, with many examples, how progressively and thoroughly the Israeli Defense Forces have been involved in party politics, and vice versa.

PARTY POLITICS IN ISRAEL AND THE OCCUPIED TERRITORIES. By Gershon R. Kieval. Westport (Conn.): Greenwood Press, 1983, 228 pp. \$35.00.

Israel's policy in the Occupied Territories, intimately connected with the questions of security and ideology so important to Israelis of all parties, has been strongly influenced by the factionalism characteristic of Israeli politics within the major parties and within the coalition governments. The usefulness of this study lies in the running account of disputes and maneuvers from 1967 to 1981 and the strictures these placed on policy regarding the eventual disposition of the Territories.

SELF-DETERMINATION IN THE MIDDLE EAST. By Yosef Gotlieb. New York: Praeger, 1982, 178 pp. \$22.95.

A thumbnail history of the Middle East since World War I intended to make a point: that the elites in control of the Arab states continue to deny self-determination to Kurds, Armenians and a host of other nationalities, and that they use the Palestinian cause and opposition to Israel primarily as a means of maintaining that position. Much of what the book says is sound, much is not; it is more a tract than an objective study.

PALESTINE AND THE GULF. Edited by Rashid Khalidi and Camille Mansour. Beirut: Institute for Palestine Studies, 1982, 347 pp. \$16.00 (paper, \$12.00).

Papers written for an international seminar held at the Institute for Palestine Studies in Beirut, a few months before the roof fell in. While some dimensions of the Palestine question have changed, its essentials and the connection with the affairs of the Gulf remain. The volume is not outdated and is notable for the range of views represented; contributors, in addition to Arabs, include experts from Western Europe, the United States and the U.S.S.R.

THE IRAN-IRAQ WAR: NEW WEAPONS, OLD CONFLICTS. Edited by Shirin Tahir-Kheli and Shaheen Ayubi. New York: Praeger, 1983, 210 pp. \$25.95.

A collaborative work on the Gulf war that, like the war itself, appears improvised and unfinished. Nevertheless, it is the best book we have on the subject in English, illuminating dark areas on both sides of the struggle and highlighting the inability of outside powers either to stop the war or to profit from it.

RELIGION AND POLITICS IN IRAN: SHI'ISM FROM QUIETISM TO REVOLUTION. Edited by Nikki R. Keddie. New Haven: Yale University Press, 1983, 258 pp. \$22.50.

The experts on Iran, rarely in evidence when the revolution was brewing, are now prominent in explaining what happened and why. This volume by an international group is one of the best in making the connection between religion and politics, showing how Islam has influenced Iranian political life and Iranian revolutions for centuries, and how natural it was that America became the "great Satan" in the eyes of so many Iranians. The book provides, among its other

benefits, fascinating sketches of the lives and thought of Islamic leaders from Kashani to Khomeini.

ISLAM IN THE POLITICAL PROCESS. Edited by James P. Piscatori. New York: Cambridge University Press (for the Royal Institute of International Affairs), 1983, 239 pp. \$37.50 (paper, \$14.95).

Islamic resurgence, the subject of much careless generalization, is here wisely broken down into separate studies in which experts concentrate on Islam in the politics of individual countries. The overwhelming impression one gets is of differences and variety, despite the undoubted turn everywhere to Islam for the language of politics and as a source of political action in many instances. Iran is no model, and Khomeini is no universally accepted prophet.

Asia and the Pacific

Donald S. Zagoria

MAO'S HARVEST: VOICES FROM CHINA'S NEW GENERATION. Edited by Helen F. Siu and Zelda Stern. New York: Oxford, 1983, 231 pp. \$17.95.

SON OF THE REVOLUTION. By Liang Heng and Judith Shapiro. New York: Knopf, 1983, 301 pp. \$15.00.

These books are two rending descriptions of the terrible human costs of Mao's revolution. They are the products of young Chinese writers who came of age during the turmoil of the Cultural Revolution. *Mao's Harvest* is a collection of poignant voices from the youth of China. They question the Chinese political system, its leadership and Maoist ideology itself. In the second book, Liang Heng describes how his family was trapped and torn apart in the shifting winds of Maoist policy, how he became a 12-year-old Red Guard during the Cultural Revolution, struggled to get an education, and finally married an American and fled China. Throughout both these books there is a profound sense of disillusionment and despair. Both stress common themes: the arbitrariness of China's political system; the destructive effects on the family and on human relationships in general; the thwarted desire for recognition of the individual's worth in a collective society.

CHINA WITHOUT MAO: THE SEARCH FOR A NEW ORDER. By Immanuel C. Y. Hsü. New York: Oxford, 1983, 212 pp. \$19.95 (paper, \$7.95).

CHINA DIARY. By Stephen Spender and David Hockney. New York: Abrams, 1983, 200 pp. \$28.50.

The first book is a balanced and thoughtful account by a historian of Mao's failures as a nation-builder and of the new path now being followed by his successors. Modernizing China, says the author, will remain a slow and laborious process; there will be only moderate progress in the next decade or two. The travel diary by Stephen Spender and David Hockney is pretentious and trivial: "China is like the Boy Scouts and Mao was the Chief Scout." When the book is not naïve, it is apologetic: "A revolution which is based on the transference of power from one social class to another cannot afford to let the opposition speak until the principles of the revolution have become accepted by the whole society."

AFGHANISTAN AND THE SOVIET UNION. By Henry S. Bradsher. Durham (N.C.): Duke University Press, 1983, 324 pp. \$32.50 (paper, \$12.75).

The author, a journalist who has long specialized in Soviet affairs, has written the most comprehensive study yet of Soviet policy in Afghanistan. He believes

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that the Soviets will remain in Afghanistan for however long it takes to ensure the country's permanent place within the Soviet empire. He dismisses suggestions sometimes made in the West about a possible "Finlandization" or about an Austrian type of neutrality for Afghanistan. The former notion ignores the reality that the Soviets tried several times to reestablish the old Tsarist control of Finland. The latter ignores the fact that in Central Europe, ten years after World War II, there was a balance of power that led to a compromise over Austria. No such balance exists in contemporary South Asia.

INDONESIA'S FOREIGN POLICY. By Michael Leifer. Winchester (Mass.): Allen & Unwin, 1983, 198 pp. \$28.50.

This is the best inclusive account of Indonesia's foreign policy since independence. The author stresses Indonesia's acute consciousness of national vulnerability. There is no historical precedent for the Indonesian state within its contemporary territorial bounds; nor does there exist a pre-colonial basis for national unity in any single great cultural tradition. Hence the sense of vulnerability, but coexisting with this is an abiding sense of regional entitlement. It is the deep-seated ambivalence between these two perspectives that has been a persistent feature of Indonesia's foreign policy.

CONTEST FOR THE SOUTH CHINA SEA. By Marwyn S. Samuels. New York: Methuen, 1982, 203 pp. \$24.95.

This is the first detailed study of the origins and possible consequences of the long-standing dispute among China, Taiwan, Vietnam and the Philippines over the Paracel and Spratly Archipelagos in the South China Sea. This conflict over ocean resources, particularly oil, has already led to a dramatic naval battle between China and South Vietnam in 1974. It is bound to become more pertinent as China develops its maritime power.

VIETNAM: NATION IN REVOLUTION. By Williams J. Duiker. Boulder (Colo.): Westview Press, 1983, 171 pp. \$18.50.

THE ENDLESS WAR: FIFTY YEARS OF STRUGGLE IN VIETNAM. By James Pinckney Harrison. New York: Free Press, 1983, 372 pp. \$17.95.

Two well-balanced accounts of the evolution of Vietnam from the colonial period to the communist victory in South Vietnam in 1975.

Africa

Jennifer Seymour Whitaker

ROBBEN ISLAND: TEN YEARS AS A POLITICAL PRISONER IN SOUTH AFRICA'S MOST NOTORIOUS PENITENTIARY. By Indres Naidoo as told to Albie Sachs. New York: Vintage/Random House, 1983, 278 pp. \$6.95 (paper).

Since the whole country of South Africa is in a sense a prison for its blacks, the horrors of Robben Island must go far to outdo the reader's expectations; the wretched physical conditions and the enthusiasm of the prison wardens for inflicting pain soon numb our sensibilities. What is most interesting in this tale (told by an Indian member of the African National Congress to an exiled South African lawyer and ANC member) is the way in which the political prisoners, through a series of hunger and sit-down strikes, gradually impress their humanity upon their jailers; significantly, they find that these actions, together with external international pressures, produce a discernible improvement in prison conditions.

TWO DECADES OF DEBATE: THE CONTROVERSY OVER U.S. COMPANIES IN SOUTH AFRICA. By David Hauck, Meg Voorhes and Glen Goldberg. Washington: Investor Responsibility Research Center, 1983, 163 pp.

This Investor Responsibility Research Center report provides an extremely useful compendium of information on the campaign against U.S. investment in South Africa, detailing the approaches of activist groups and measures adopted by national and state governments as well as institutional investors and corporations (including a current balance sheet on the achievements of the Sullivan Principles). What comes through is the surprising solidarity and dynamism of the anti-apartheid movement, now institutionalized in ongoing oversight committees and moving forward in the series of measures on divestment recently passed by state legislatures.

THE POLITICAL ECONOMY OF NIGERIA. Edited by I. William Zartman. New York: Praeger, 1983, 283 pp. \$30.95 (paper, \$13.95).

This excellent collection of essays fills an important gap in the contemporary study of Nigeria, pulling together data on political developments and economic development which add up to the most complete picture available of Africa's troubled giant. The dominant unifying question for the authors—whether or not a politics of class is emerging in Nigeria—is answered from a variety of perspectives, but with particular illumination by the editor himself, by Larry Diamond and by Thomas Biersteker.

NIGERIA AND THE UN MISSION TO THE DEMOCRATIC REPUBLIC OF THE CONGO. By Festus Ugboaja Ohaegbulam. Gainesville: University Presses of Florida, 1983, 190 pp. \$20.00.

This careful study by a Nigerian political scientist now teaching at the University of South Florida assesses Nigeria's motives, actions, gains and losses in contributing funds, diplomats, and soldiers to the U.N.'s Congo operation. In his view, Nigeria's course placed it squarely between Africa's "radicals" and "conservatives"—about where it is today. With interests often parallel to, but not dictated by, Western nations, Nigeria counted Congolese unity among the main plusses of the operation; on its other main objective—ending outside intervention in the continent—judgment must be much more ambiguous.

INTEREST GROUPS AND THE SHAPING OF FOREIGN POLICY: FOUR CASE STUDIES OF UNITED STATES AFRICAN POLICY. By F. Chidozie Ogene. New York: St. Martin's, 1983, 224 pp. \$27.50.

A Nigerian scholar scrutinizes U.S. policy-making on the Congo, Biafra, Rhodesian sanctions and the South African sugar quota. More often than not his "interest groups" reside within rather than outside the U.S. government, making his account more a history (ending in 1973) of the policy process within Congress and the Executive than of how various pressure groups affected this process. Except on Biafra (where his analysis seems skewed by a strong sympathy for the secessionists), his blow-by-blow descriptions of who-and-how present interesting and valuable details about U.S. African policy from the mid-1960s through the early 1970s.

POLITICAL LEADERSHIP IN AFRICA. By John Cartwright. London: Croom Helm/New York: St. Martin's, 1983, 310 pp. \$27.50.

Taking aim at the all-important but elusive subject of African governance, the author acknowledges the severe constraints (internal and external) on the effective exercise of governing authority, but stakes out a modest area for comparative analysis. Examining some of the main examples of "coercive" and "persuasive,"

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“accommodationist” and “transformationist” leadership styles in the continent, he concludes that for both “accommodationist” and “transformationist” strategies, persuasion has usually worked better than coercion—both in achieving the leader’s goals and assuring his secure tenure in office.

STATES AND MARKETS IN AFRICA. By Robert Bates. Berkeley: University of California Press, 1981, 176 pp. \$19.95.

In its main outlines, this analysis of how public policy has fostered Africa’s agricultural decline does not break new ground; however, the description of how that policy has worked—the interests and mechanisms discriminating against the rural sector—is incomparable in its thoroughness.

CONFLICT IN NORTHWEST AFRICA: THE WESTERN SAHARA DISPUTE. By John Damis. Stanford: Hoover, 1983, 196 pp.

An old North Africa hand provides a definitive delineation of the conflict which has drained material resources and political energies in the region since 1975. Damis proposes two variants of a Solomonian territorial compromise (an “enlarged Sahara” and a “diminished Sahara”) but admits that the current military stalemate discourages compromise and that none of the many contending parties has so far evidenced the flexibility necessary for a negotiated resolution.

Erratum: The publisher of *The Border That Joins: Mexican Migrants and U.S. Responsibility*, edited by Peter G. Brown and Henry Shue, reviewed in *Foreign Affairs*, Spring 1983, page 980, is Rowman and Littlefield (Totowa, N.J.).

Janet Rigney

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ERRATUM

Spring 1983

1. In Robert B. Reich's "Beyond Free Trade": on page 793, line 13, the figure of 50 percent for U.S. exports should be 11 percent.

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All of these securities having been sold, this announcement appears solely for purposes of information.

NEW ISSUE

April 19, 1983

\$100,000,000

Asian Development Bank

11 $\frac{1}{8}$ % Fifteen Year Bonds of 1983, Due May 1, 1998

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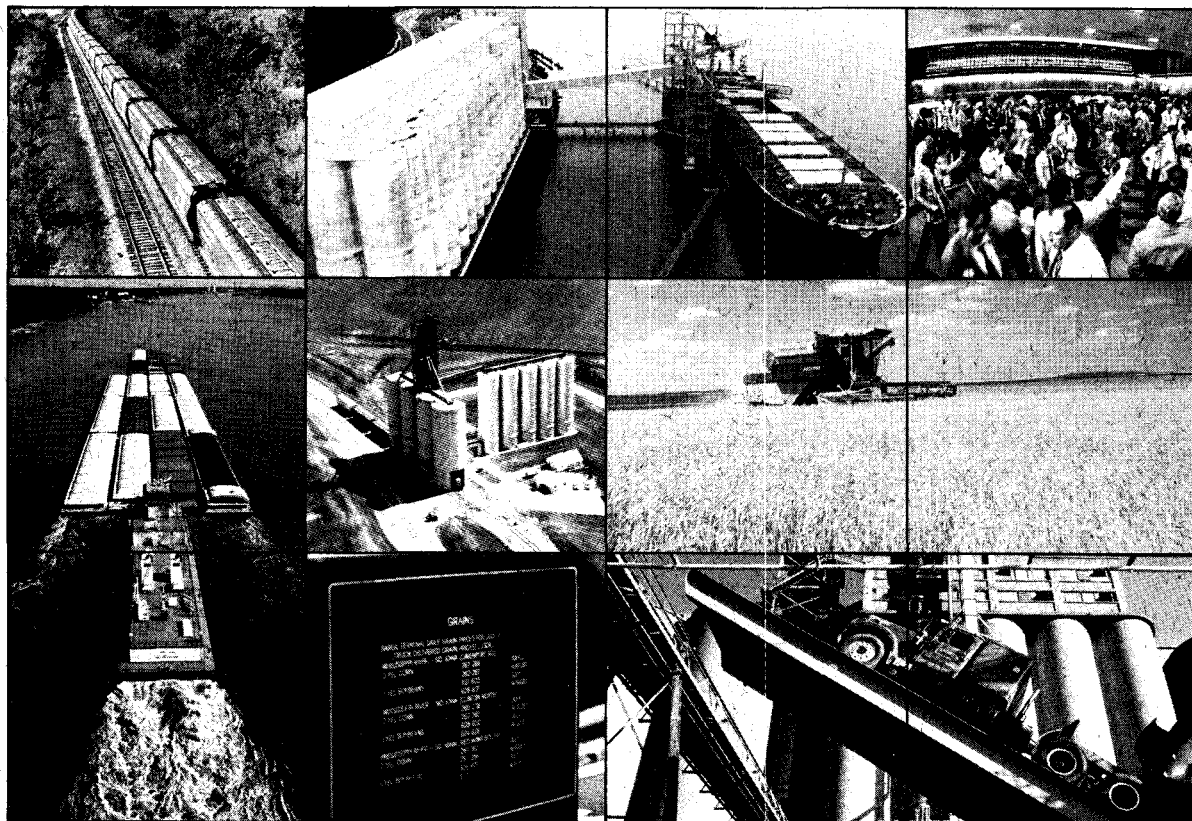
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